

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)



Interim Report **2016**

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Jianbao (*Joint Chairman and Joint Chief executive officer*)
Ms. Cai Xiuman (*Joint Chairman*)
Mr. Wang Wei (*Vice-Chairman*)
Mr. Zhang Wenbin
(*Joint Chief executive officer*)
Mr. Chen Yuanjian (*Chief financial officer*)
Mr. Sun Hui Ding
Mr. Wang Qing Shan

Independent non-executive Directors

Mr. Chen Jinzhong, Roy
Mr. Chen Yonghua
Mr. Lee Ho Yiu Thomas
Mr. Gu Renliang

BOARD COMMITTEES

Audit Committee

Mr. Lee Ho Yiu Thomas (*Chairman*)
Mr. Chen Jinzhong, Roy
Mr. Chen Yonghua

Nomination Committee

Mr. Chen Jinzhong, Roy (*Chairman*)
Mr. Chen Yonghua
Mr. Lee Ho Yiu Thomas

Remuneration Committee

Mr. Chen Yonghua (*Chairman*)
Mr. Chen Jinzhong, Roy
Mr. Lee Ho Yiu Thomas

Company Secretary

Mr. Yip Hing Fai

AUTHORISED REPRESENTATIVES

Ms. Cai Xiuman
Mr. Chen Jianbao

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Shoes Industrial Park
Baogai Town
Shishi
Fujian Province
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3509, West Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of Communications
China Merchants Bank
Industrial Bank of China
Industrial and Commercial Bank of China

AUDITOR

ZHONGHUI ANDA CPA Limited
Unit 701, 7/F
Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

LEGAL ADVISER

As to Hong Kong law:
Winston & Strawn

STOCK CODE

01096

COMPANY WEBSITE

www.sino-energyint.com

KEY FINANCIAL HIGHLIGHTS

For the six months ended 30 June

	Note	2016	2015	% change
Revenue (RMB'000)		125,446	115,996	8.1%
Gross (loss)/profit (RMB'000)		(12,432)	1,961	N/A
(Loss) before taxation (RMB'000)		(77,556)	(305,750)	(74.6%)
(Loss) for the period (RMB'000)		(77,593)	(306,140)	(74.7%)
Gross (loss)/profit margin (%)		(9.9)%	1.7%	
(Loss) after tax margin (%)		(61.9)%	(263.9)%	
(Loss) per share ("EPS")				
– Basic (RMB)	1	(0.05)	(0.23)	

As at 30 June/31 December

		2016	2015
Current ratio (times)	2	1.9	2.3
Gearing ratio (%)	3	62.5%	60.7%

Notes for key ratios:

- 1/ Basic EPS: (Loss) attributable to shareholders/weighted average number of ordinary shares of HK\$0.10 each in the share capital of Sino Energy International Holdings Group Limited ("**Shares**")
- 2/ Current ratio: Current assets/current liabilities
- 3/ Gearing ratio: Total borrowings (including bank loans, debentures and promissory note)/total assets

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

Business Review

In the first half of 2016, the global economy faced various uncertainties and the possible increase in interest rate by the US Federal Reserve may cause risks to some emerging economies. The economy of China was under downward pressure. As a result, the uncertainty of the global economy is emerging. The weak domestic demands had negative effects on the sale and consumption market in China. In addition, rapid development of the electronic commerce poses huge competitions and challenges to physical retail stores. As a result, there is a decline in the sales in the Group's casual footwear, apparel and related accessories business ("**footwear business**") in the first half of 2016. The retail market in the second half of 2016 is still unclear. Facing severe operation environment, the Group made adjustments to the sales strategies to secure stable revenue sources and maintain sustainable development of the footwear business in long term.

Amidst the sluggish retail atmosphere in the market, the Group has been undergoing transition to adapt to the slower market growth which could probably be the new norm for China and it made great efforts to introduce new measures to increase its products' competitiveness in the market. The Group implemented a multi-brand strategy and proactively adjusted the operating strategies and integrated existing resources for further brand development.

Meanwhile, due to overall weakness in the market, the sales of the Group's footwear business decreased by 25.8% from RMB116.0 million for six months ended 30 June 2015 to RMB86.1 million for six months ended 30 June 2016. In order to cope with the challenging market environment, the Group selected business partners prudently, and also optimized the existing retail network. In addition, the Group decided to tighten its cost control measures and capital expenditure plan in footwear business.

The Group actively carried out the cost control measures and tackled the burden of increasing production costs through strategies such as bulk purchases. However, the Group has lowered branded products prices and provided more discounts to distributors to encourage them to devote more resources to marketing activities thereby enhancing the brand awareness of the Group for market share expansion, as a result, the Group's footwear business incurred a gross loss for the period as compared with gross profit for the corresponding period in 2015. Nevertheless, the management believes that, when the market recovers, its solid foundation will help the Group swiftly seize the opportunities to achieve better operating performance.

In addition, the Group also diversified into other profitable business including acquisition of Peak Business Asia Limited and its subsidiaries with the principal activities of operating gas stations in the PRC. The operation of gas stations recorded revenue of RMB39.3 million for the period and has good profit contribution to the Group which partly offset the poor performance of footwear business.

Prospects

Looking ahead, as China's economic growth is slowing down and the US is increasingly likely to raise the interest rate in the future, it is still difficult to predict the development of the macro-economic environment. As a result of the heavy pressure on domestic retail market exerted by the weak consumption sentiment, the footwear industry in China still faces enormous challenges in the second half of 2016. The Group maintains a prudent attitude towards the business performance of the Group.

The management of the Group believes that with the strong business development models, it has sufficient resources to deal with the currently weak economic conditions and strengthen its position as one of the leading multiple brand operators in the industry and ultimately create best value for the Shareholders. In addition, the Group is also in the process of pursuing investment opportunities in order to provide stable income to the Group in the near future. The Group completed the acquisition of the business of operation of gas stations in the PRC in the first half of 2016. The operation of gas stations provided a good profit contribution to the Group. The Group will continue to seek opportunities to further expand in the energy-related business.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the six months ended 30 June 2016 was RMB125.4 million, representing an increase of 8.1% as compared to that of the corresponding period in 2015. It was mainly due to the contribution from newly acquired operation of gas station business which is offset by the decline of revenue of footwear business caused by the rapid development of online shopping, the consistent deterioration of the market conditions, and the continuous sluggish retail environment.

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 six months ended 30 June 2016 was RMB12.4 million, as compared with the gross profit of RMB2.0 million in same period of 2015. The gross loss margin of the Group for the six months ended 30 June 2016 was 9.9% (six months ended 30 June 2015: gross profit margin of 1.7%).

Other income

The increase in other income from RMB4.0 million for the six months ended 30 June 2015 to RMB15.6 million for six months ended 30 June 2016 was mainly due to the reversal of impairment of trade receivables of RMB2.3 million and reversal of impairment of deposits, prepayments and other receivables of RMB10.7 million for six months ended 30 June 2016 while no such items in the corresponding period in 2015.

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 RMB3.3 million, accounted for approximately 2.7% of revenue for the six months ended 30 June 2016 (six months ended 30 June 2015: 3.9%). The distribution and selling expenses decreased from RMB4.6 million for the six months ended 30 June 2015 to RMB3.3 million for the six months ended 30 June 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 significantly by 86.3% to RMB38.7 million for the six months ended 30 June 2016 from RMB282.1 million for the six months ended 30 June 2015, which was mainly attributable to significant impairment loss of trade receivables of RMB160.7 million and the impairment loss of deposits and prepayments of RMB106.1 million incurred for the six months ended 30 June 2015 whereas there was no such impairment loss for the six months ended 30 June 2016. The Group will continue to take all necessary measures to tighten its credit control to improve the recovery of its trade receivables, deposits, prepayments and other receivables in the future.

Finance costs

Finance costs increased by 54.0% to RMB38.7 million for the six months ended 30 June 2016 from RMB25.1 million for the six months ended 30 June 2015, primarily due to the increase in interest from the issuance of debentures and increase in bank loans to finance the operations.

Effective tax rate

As the Group incurred loss for six months ended 30 June 2016, the tax charge is mainly due to under provision of income tax from one of the subsidiaries.

Loss attributable to owners of the Company

Loss attributable to owners of the Company was RMB77.4 million for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB306.7 million). Basic loss per Share was RMB5 cents for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB23 cents).

The loss attributable to owners of the Company of RMB77.4 million for six months ended 30 June 2016 decreased by 74.8%, as compared with the loss attributable to owners of the Company of RMB306.7 million for six months ended 30 June 2015, was primarily due to profit contribution from newly acquired operation of gas stations business and decrease in impairment loss which is partly offset by poor performance of footwear business and the rising finance cost due to the increase in debentures and bank loans to fund the operation.

LIQUIDITY AND FINANCIAL RESOURCES

In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in RMB. As at 30 June 2016, the Group had net current assets of RMB707.1 million (as at 31 December 2015: RMB895.8 million), of which cash and cash equivalents and pledged deposits were RMB561.0 million (as at 31 December 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 and promissory note) divided by total assets, slightly increased from 60.7% as at 31 December 2015 to 62.5% as at 30 June 2016.

The Group primarily met its funding requirement by cash flows from operations and financing activities. During the six months ended 30 June 2016, the net cash generated from operating activities and net cash generated from financing activities were RMB204.8 million (six months ended 30 June 2015: used in operating activities of RMB192.7 million) and RMB9.0 million (six months ended 30 June 2015: net cash generated from financial activities of RMB432.0 million). The total bank borrowings increased to RMB238.3 million (31 December 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 six months ended 30 June 2016, the Group newly issued unlisted debentures of RMB131.9 million (six months ended 30 June 2015: RMB382.2 million) and made a settlements of RMB253.9 million (six months ended 30 June 2015: Nil). As at 30 June 2016, the outstanding unlisted debentures amounted to RMB761.1 million (31 December 2015: RMB864.1 million). The debentures are repayable from December 2016 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 six months ended 30 June 2016.

CAPITAL STRUCTURE

During the six months ended 30 June 2016, the Company did not issue new Shares. As at 30 June 2016, the total number of issued shares of the Company was 1,606,498,422.

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.

Save as disclosed above, there was no significant investment, material acquisitions and disposal of subsidiaries, associates and joint ventures by the Company during the six months ended 30 June 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, bank loans, debentures and promissory notes are denominated in Hong Kong Dollars and US Dollars.

During the six months ended 30 June 2016, 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.

CHARGE ON ASSETS

As at 30 June 2016, the Group had pledged its land use rights and buildings with net book value of RMB41.8 million and deposits with banks of RMB48.5 million for the purpose of securing bank loans and certain bills payable.

CONTINGENT LIABILITIES

There were no significant contingent liabilities for the Group as at 30 June 2016.

HUMAN RESOURCES

As at 30 June 2016, the Group employed 514 employees (as at 30 June 2015: 997 employees) with total staff costs of RMB29.7 million incurred for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB20.1 million), including equity settled share-based payment expenses of RMB17.6 million in respect of the share options granted during the six months ended 30 June 2016 (six months ended 30 June 2015: Nil). The Group offered competitive salary package, as well as discretionary bonuses and contribution to social insurance to its employees.

Disclosure of Interests

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OF EQUITY DERIVATIVES AND DEBENTURES

As at 30 June 2016, the interests and short positions of the directors (the “**Directors**”) and chief executive of the Company in the Shares, underlying shares of equity derivatives and debentures of the Company or its associated corporations (as defined by Part XV of the Securities and Futures Ordinance (the “**SFO**”) as recorded in the register of directors’ and chief executive’s interests and short positions required to be maintained under Section 352 of SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) are as follows:

(i) Long position in the Shares:

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding in the Company
Ms. Cai Xiuman (Note 1)	Interest of controlled corporation	694,272,000	43.21%
	Beneficial owner	13,220,000	0.82%
	Interest of spouse	5,456,000	0.33%
Mr. Zhang Wenbin (Note 2)	Interest of spouse	707,492,000	44.03%
	Beneficial owner	5,456,000	0.33%

Notes:

1. Ms. Cai Xiuman is the beneficial owner of the entire issued share capital of Festive Boom Limited which holds 694,272,000 Shares. Ms. Cai Xiuman is also the director of Festive Boom Limited.
2. Mr. Zhang Wenbin is deemed to be interested in the 707,492,000 shares beneficially held by his spouse Ms. Cai Xiuman.

(ii) Long position in underlying Shares:

Holders	Grant date	Exercise from	Exercise until	Number of share options held					Balance as at 30 June 2016	Exercise price (HK\$)	Approximate percentage of shareholding in the Company
				Balance as at 1 January 2016	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period			
Mr. Huang Jianren	17 October 2014	17 October 2014	17 October 2024	1,000,000	-	-	-	-	1,000,000	0.72	0.06%
Mr. Wu Xiaoju	17 October 2014	17 October 2014	17 October 2024	500,000	-	-	-	-	500,000	0.72	0.03%
Mr. Ye Lin	17 October 2014	17 October 2014	17 October 2024	500,000	-	-	-	-	500,000	0.72	0.03%
Mr. Lee Ho Yiu Thomas	17 October 2014	17 October 2014	17 October 2024	500,000	-	-	-	-	500,000	0.72	0.03%
Total:				2,500,000	-	-	-	-	2,500,000		

(iii) Long position in the Company's associated corporation(s):

Name of Director	Name of associated corporation	Number of shares	Approximate percentage of shareholding
Ms. Cai Xiuman	Festive Boom Limited	1	100%

As at 30 June 2016, save as disclosed herein, none of the Directors and chief executive of the Company were interested in short position in the Shares, underlying shares of equity derivatives or debentures of the Company or any associated corporation defined under the SFO as recorded in the register of directors' and chief executive's interests and short positions required to be maintained under Section 352 of SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, the following persons, other than the Directors and chief executive of the Company, had interests and short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Long position in Shares and underlying Shares

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of shareholding in the Company
Festive Boom	Limited Beneficial owner	694,272,000	43.21%
Strait Energy Limited	Person having a security interest in shares	644,272,000	40.10%
Strait Energy Investment Company Limited (Note 1)	Interest of controlled corporation	644,272,000	40.10%
中國石油天然氣集團公司(Note 2)	Interest of controlled corporation	644,272,000	40.10%
Central Huijin Investment Ltd. (Note 3)	Person having a security interest in shares	644,272,000	40.10%
China Construction Bank Corporation (Note 4)	Person having a security interest in shares	644,272,000	40.10%
廣東錦烽集團有限公司 (Note 5)	Interest of controlled corporations	210,141,617	13.08%
Sun Siu Kit (Note 6)	Interest of controlled corporations	210,141,617	13.08%
華融致遠投資管理有限責任公司 (Note 7)	Interest of controlled corporations	210,141,617	13.08%
China Huarong Asset Management Co., Ltd. (Note 8)	Interest of controlled corporations	210,141,617	13.08%
Ministry of Finance of the People's Republic of China (Note 8)	Interest of controlled corporations	210,141,617	13.08%

Notes:

1. Strait Energy Investment Company Limited is deemed to be interested in the 644,272,000 Shares as it holds 50% of the issued share capital of Strait Energy Limited.
2. 中國石油天然氣集團公司 is deemed to be interested in the 644,272,000 Shares as it indirectly holds 50% of the issued share capital of Strait Energy Limited and the entire issued share capital of Strait Energy Investment Company Limited.
3. Central Huijin Investment Ltd. is deemed to be interested in the 644,272,000 Shares as it indirectly holds 57.31% of CCB International Securities Limited, which has a security interest over those Shares.
4. China Construction Bank Corporation is deemed to be interested in the 644,272,000 Shares as it indirectly holds the entire issued share capital of CCB International Securities Limited, which has a security interest over those Shares.
5. 廣東錦烽集團有限公司 is deemed to be interested in the 210,141,617 Shares as it holds 40% of the issued share capital of 華融華僑資產管理股份有限公司 which indirectly holds 100% of the issued share capital of Infinity Growth Capital Limited, holds 210,141,617 convertible Shares to be issued upon the approval of independent shareholders of the Company at the extraordinary general meeting of the Company.
6. Mr. Sun Siu Kit is deemed to be interested in the 210,141,617 Shares as he indirectly holds 100% of the issued share capital of 廣東錦烽集團有限公司.
7. 華融致遠投資管理有限責任公司 is deemed to be interested in the 210,141,617 Shares as it holds 51% of the issued share capital of 華融華僑資產管理股份有限公司 which indirectly holds 100% of the issued share capital of Infinity Growth Capital Limited, holds 210,141,617 convertible Shares to be issued upon the approval of independent shareholders of the Company at the extraordinary general meeting of the Company.
8. Ministry of Finance of the People's Republic of China is deemed to be interested in the 210,141,617 Shares as it holds 67.5% of issued share capital of China Huarong Asset Management Co., Ltd. which directly holds 100% of the issued share capital of 華融致遠投資管理有限責任公司.

Save as disclosed above, the Directors are not aware of any person, other than the Directors and chief executive whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares of equity derivatives and debentures" above, who had an interest or short positions in the Shares or underlying Shares that were required to be recorded pursuant to Section 336 of Part XV of the SFO as of 30 June 2016.

SHARE OPTION SCHEME

Pursuant to a resolution passed by all the Shareholders on 4 September 2011, the Company has conditionally adopted the share option scheme (the “**Share Option Scheme**”) for the purpose of recognising and acknowledging the contributions the eligible participants had or may have made to the Group. Eligible participants include all Directors, employees of the Group; and suppliers, customers, consultants, agents, advisers and related entities who, in the sole opinion of the board of Directors (the “**Board**”), will contribute or have contributed to the Group. The Directors were authorised to grant options to subscribe for Shares and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme. The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering (as defined in the Prospectus, being 120,000,000 shares, excluding any options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company), unless otherwise approved by the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules.

Unless otherwise approved by the Shareholders in general meeting, the number of the Shares that may be granted to an eligible participant under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 1% of the Shares in issue of the Company within any 12-month period. Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by our independent nonexecutive Directors. Unless otherwise approved by the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules, the number of Shares that may be granted to a substantial shareholder or any independent non-executive Director or their respective associates under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 0.1% of the Shares in issue, having an aggregate value in excess of HK\$5 million, within any 12-month period.

There is no minimum period for which an option must be held before it can be exercised, and the period during which an option may be exercised will be determined by the Board in its absolute discretion, however, no options shall be exercised 10 years after they have been granted. The subscription price of a Share in respect of a particular option shall be not less than the highest of (a) the official closing price of the Shares on the daily quotation sheet of the Stock Exchange; (b) the average official closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share. Each grantee shall pay HK\$1.00 to the Company at the time the option is granted. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

In view of the increase in the Shares in issue, a resolution was passed by the Shareholders to refresh the limit of Share Option Scheme at the annual general meeting held on 28 June 2016 (the "AGM"). The Company is allowed to grant options carrying the rights to subscribe for up to a total of 160,649,842 Shares, representing 10% of the issued share capital of the Company as at the AGM.

Further details of the Share Option Scheme are set out in note 14 to the financial statements. Details of movements in the options granted under the Share Option Scheme of other eligible participants during the six months ended 30 June 2016 are as follows:

Category	Grant date	Exercise from	Exercise until	Number of share options held					Balance as at 30 June 2016	Exercise price (HK\$)	Approximate percentage of shareholding in the Company
				Balance as at 1 January 2016	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period			
Employees of the Group	17 October 2014	17 October 2014	17 October 2024	11,000,000	-	-	-	-	11,000,000	0.72	0.68%
	29 April 2016	29 April 2016	29 April 2026	-	80,500,000	-	-	-	80,500,000	0.46	5.01%
Business partners and consultants of the Group	29 April 2016	29 April 2016	29 April 2026	-	55,500,000	-	-	-	55,500,000	0.46	3.45%
				11,000,000	136,000,000	-	-	-	147,000,000		

Note:

Closing price of the shares on the last trading day prior to the date of grant has HK\$0.46 per share.

Corporate Governance and Other Information

INTERIM DIVIDEND

The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Pursuant to a resolution passed by the Board on 4 September 2011, the Company has adopted all the requirements of the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules. During the six months ended 30 June 2016, the Company has complied with all the code provisions of the Corporate Governance Code.

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, 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 six months ended 30 June 2016.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with management the accounting principles and policies adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters, and also reviewed the unaudited interim financial report for the six months ended 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company and the Stock Exchange. The Company's 2016 interim report for the six months ended 30 June 2016 containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the said websites in due course.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

(Expressed in RMB)

	Notes	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue	4	125,446	115,996
Cost of sales		(137,878)	(114,035)
Gross (loss)/profit		(12,432)	1,961
Other income		15,624	3,997
Distribution and selling expenses		(3,336)	(4,551)
Administrative expenses		(38,749)	(282,058)
Loss from operations		(38,893)	(280,651)
Finance costs	5	(38,663)	(25,099)
Loss before tax		(77,556)	(305,750)
Income tax	6	(37)	(390)
Loss for the period	7	(77,593)	(306,140)
Other comprehensive (loss)/income: <i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(4,611)	7
Total comprehensive loss for the period		(82,204)	(306,133)

The notes on pages 23 to 34 form part of this interim financial report. Details of dividend payable to equity shareholders of the Company are set out in note 8.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

(Expressed in RMB)

	Notes	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Loss for the period attributable to:			
Owners of the Company		(77,375)	(306,681)
Non-controlling interests		(218)	541
		(77,593)	(306,140)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(81,986)	(306,674)
Non-controlling interests		(218)	541
		(82,204)	(306,133)
Loss per share			
Basic and diluted (RMB)	9	(0.05)	(0.23)

The notes on pages 23 to 34 form part of this interim financial report.

Condensed Consolidated Statement of Financial Position

As at 30 June 2016

(Expressed in RMB)

	Notes	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	170,315	144,876
Intangible assets		1,472	1,645
Goodwill	15	220,362	49,363
Prepaid land lease payments		5,072	5,174
Deposits paid for acquisitions of property, plant and equipment		31,692	31,692
Prepayment for acquisition of a subsidiary		–	83,780
		428,913	316,530
Current assets			
Inventories		173,563	171,731
Trade and other receivables	11	677,975	887,146
Prepaid land lease payments		129	129
Amount due from a director		52,165	174,449
Pledged deposits		48,510	78,083
Bank and cash balances		512,456	262,202
		1,464,798	1,573,740
Current liabilities			
Trade and other payables	12	473,206	454,234
Bank loans		238,348	198,627
Debentures		22,715	1,676
Tax payables		23,419	23,436
		757,688	677,973

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016
(Expressed in RMB)

	Notes	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Net current assets		707,110	895,767
Total assets less current liabilities		1,136,023	1,212,297
Non-current liabilities			
Debentures		738,402	862,436
Promissory note	13	184,082	83,780
		922,484	946,216
NET ASSETS		213,539	266,081
Capital and reserves			
Share capital		130,258	130,258
Reserves		80,739	133,063
Equity attributable to owners of the Company		210,997	263,321
Non-controlling interests		2,542	2,760
TOTAL EQUITY		213,539	266,081

The notes on pages 23 to 34 form part of this interim financial report.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

(Expressed in RMB)

	Attributable to owners of the Company								Non-controlling interests	Total Equity
	Share Capital	Share premium	Other reserve	Exchange reserve	Statutory reserve	Capital reserve	Accumulated losses	Total		
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)		
At 1 January 2015 (audited)	104,361	215,334	2,268	670	27,935	10,984	252,666	614,428	-	614,428
Total comprehensive loss for the period	-	-	-	7	-	-	(306,681)	(306,674)	541	(306,133)
Arising on acquisition of a subsidiary	5,141	45,241	-	-	-	-	-	50,382	447	50,829
Placement of new shares	13,804	75,205	-	-	-	-	-	89,009	-	89,009
Share issued under share option scheme	1,183	11,594	-	-	-	(4,259)	-	8,518	-	8,518
At 30 June 2015	124,509	347,374	2,268	677	27,935	6,725	(54,025)	455,663	988	456,651
At 1 January 2016 (audited)	130,258	384,423	2,268	6,295	27,935	3,889	(291,747)	263,321	2,760	266,081
Total comprehensive loss for the period	-	-	-	(4,611)	-	-	(77,375)	(81,986)	(216)	(82,204)
Share-based payments	-	-	-	-	-	29,662	-	29,662	-	29,662
At 30 June 2016	130,258	384,423	2,268	1,684	27,935	33,551	(369,122)	210,997	2,542	213,539

The notes on pages 23 to 34 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

(Expressed in RMB)

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Net cash generated from/(used in) operating activities	204,775	(192,683)
Net cash generated from/(used in) investing activities	29,744	(61,023)
Net cash generated from financing activities	9,003	432,039
Net increase in cash and cash equivalents	243,522	178,333
Cash and cash equivalents at beginning of period	262,202	104,047
Effect of changes in foreign exchange rate	6,732	8
Cash and cash equivalents at end of period	512,456	282,388
Analysis of cash and cash equivalents		
Bank and cash balances	512,456	282,388

The notes on pages 23 to 34 form part of this interim financial report.

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 Room 3509, Floor 35, Shun Tak Centre West Tower, No. 168-200 Connaught Road Central, Sheung Wan, 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 stations in the People’s Republic of China (the “PRC”).

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (“Interim Financial Statements”) have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The Interim Financial Statements do not include all the information and disclosures required in the full set of financial statements prepared in accordance with the International Financial Reporting Standards (“IFRSs”), and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2015.

The preparation of the Interim Financial Statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised 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's financial statements and amounts reported for the current period and prior periods.

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 those new and revised IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results of operations and financial position.

4. REVENUE AND SEGMENT INFORMATION

(a) Segment results

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group manages its businesses by its operating subsidiaries in the PRC including (i) the manufacturing and sales of casual footwear, apparel and related accessories; and (ii) operating of gas stations in the PRC which was acquired by the Group during the period ended 30 June 2016.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

	Manufacturing and sale of casual footwear, apparel and related accessories and others RMB'000	Operation of gas stations RMB'000	Total RMB'000
Six months ended 30 June 2016 (Unaudited):			
Revenue from the external customers	86,108	39,338	125,446
Inter-segment revenue	-	-	-
Reportable segment revenue	86,108	39,338	125,446
Reportable segment profit/(loss)	(26,895)	10,014	(16,881)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

4. REVENUE AND SEGMENT INFORMATION *(continued)*

(a) Segment results *(continued)*

	Manufacturing and sale of casual footwear, apparel and related accessories and others RMB'000	Operation of gas stations RMB'000	Total RMB'000
Six months ended 30 June 2015 (Unaudited):			
Revenue from the external customers	115,996	-	115,996
Inter-segment revenue	-	-	-
Reportable segment revenue	115,996	-	115,996
Reportable segment loss	(286,376)	-	(286,376)

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit or loss		
Reportable segment loss	(16,881)	(286,376)
Unallocated other income	2,352	3,171
Unallocated head office and corporate expenses	(63,064)	(22,935)
Consolidated loss after taxation	(77,593)	(306,140)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

5. FINANCE COSTS

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans and overdraft	13,912	8,264
Interest on debentures	24,751	16,835
	38,663	25,099

6. INCOME TAX

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – PRC Enterprise Income Tax for the period	37	372
Deferred tax	–	18
	37	390

No provision for Hong Kong Profits Tax is required since the Group did not generate any assessable profit arising in Hong Kong during for the period (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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

7. LOSS FOR THE PERIOD

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

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Cost of inventories sold	137,878	114,035
Depreciation	1,165	1,972
Amortisation of prepaid lease payments	102	120
Amortisation of intangible assets	902	1,329
(Reversal of impairment)/impairment of trade receivables	(2,348)	160,685
(Reversal of impairment)/impairment of deposits, prepayments and other receivables	(10,699)	106,053
Impairment of inventories	–	10,341
Minimum lease payments under operating leases in respect of office premises	491	1,576
Other equity settled share based payment expenses	12,105	–
Directors' emoluments	1,080	1,082
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	11,495	19,264
Equity settled share-based payment expenses	17,557	–
Retirement benefits scheme contributions	677	787
	29,729	20,051

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

8. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

9. LOSS PER SHARE

(a) Basic earnings per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of RMB77,375,000 (six months ended 30 June 2015: loss attributable to owners of the Company of RMB306,681,000) and the weighted average of 1,606,498,422 ordinary shares (six months ended 30 June 2015: 1,336,499,000) in issue during the period.

(b) Diluted earnings per share

No diluted earnings per share is presented as the Company did not have any outstanding dilutive potential ordinary shares during both periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, property, plant and equipment increased was mainly due to the acquisition of subsidiaries during the period (Note 15).

11. TRADE AND OTHER RECEIVABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade receivables	464,323	511,468
Less: impairment losses	(220,740)	(223,088)
	243,583	288,380
Bills receivable	87,579	15,240
Deposits, prepayments and other receivables	346,813	583,526
	677,975	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 RMB313,279,000 net of impairment provision of RMB199,546,000 (As at 31 December 2015: RMB517,635,000 net of impairment provision of RMB210,242,000); and (ii) prepayment of RMB18,330,000 (As at 31 December 2015: RMB58,000,000) in relation to the acquisition of the two retail shops in the PRC which had been cancelled in last year. Decrease was due to the settlement during the period.

Trade and bills receivables

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within 90 days	96,192	82,359
91 – 180 days	30,612	44,442
181 – 360 days	86,547	49,644
Over 361 days	117,811	127,175
	331,162	303,620

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

12. TRADE AND OTHER PAYABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade payables	200,243	111,829
Bills payable	199,999	267,770
Advance payments from customers	8,432	17,083
Other payables and accruals	64,532	57,552
	473,206	454,234

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within 2 months	90,991	61,085
More than 2 months but within 3 months	87,294	89,311
More than 3 months but within 12 months	80,785	176,822
More than 12 months	141,172	52,381
	400,242	379,599

13. PROMISSORY NOTE

On 5 November 2015, the Group has entered into a sale and purchase agreement (the "S&P") with an independent third party in relation to the acquisition of the entire equity interest of a target company and its subsidiaries which is principally engaged in operating gas stations in the PRC, at a consideration of HK\$215,000,000. The consideration would be satisfied by issue of promissory notes.

Upon signing of the S&P, the Promissory Note A ("PN-A") with a principal amount of HK\$100,000,000 (equivalent to RMB85,619,000) was issued to the vendor. PN-A bears interest at 5% per annum and is mature on 5 November 2017.

Upon fulfilment of the terms and conditions of the S&P on 22 January 2016, the Company has issued another part of promissory note with a principal amount of HK\$115,000,000 (equivalent to RMB98,463,000) (the "PN-B") as a final settlement to the consideration payable. The PN-B bears interest at 5% per annum and is mature on 22 January 2018.

14. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 4 September 2011 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, business partners and consultants of the Group to take up options at HK\$1 consideration to subscribe for shares of the Company. The options vest immediately from the date of grant and are then exercisable within a period of ten years. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Contractual life of options
Options granted to directors on 17 October 2014	15,500,000	10 years
Options granted to employees on 17 October 2014	35,000,000	10 years
Options granted to business partners and consultants on 17 October 2014	69,500,000	10 years
Options granted to business partners, consultants and employees on 29 April 2016	136,000,000	10 years
Total share options granted	256,000,000	

All of the share options vesting conditions are immediate from the date of grant.

(b) The number and weighted average exercise prices of share options are as follows:

	Number of options	
	2016	2015
Outstanding at the beginning of the period	13,500,000	38,500,000
Granted during the period	136,000,000	–
Exercised during the period	–	(25,000,000)
Outstanding at the end of the period	149,500,000	13,500,000

The share options outstanding as at 30 June 2016 include (i) 13,500,000 options brought down from last year with an exercise price of HKD\$0.72 and a weighted average remaining contractual life of 8.29 years; and (ii) 136,000,000 options granted during the period ended 30 June 2016 with an exercise price of HKD\$0.46 and a weighted average remaining contractual life of 9.83 years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

15. ACQUISITION OF A SUBSIDIARY

On 22 January 2016, the Group acquired 100% of the issued share capital of Peak Business Asia Limited and its subsidiaries (collectively referred to as the “Acquired Group”) for a total consideration of HK\$215,000,000 which was fully settled by issuance of promissory notes (Note 13). The Acquired Group is principally engaged in operating gas stations in the PRC. In the opinions of the Directors, the acquisition is for the purpose to diversify the Group’s business into the energy sector, which is an area of high growth potential in the future.

The fair value of the identifiable assets and liabilities of the Acquired Group as at its date of acquisition is as follows:

	2016 RMB'000
Property, plant and equipment	26,549
Inventories	360
Trade and other receivables	5,590
Cash and cash equivalents	171
Income tax payable	(20)
Trade and other payables	(19,567)
Total identifiable net assets at fair value	13,083
Goodwill	170,999
	184,082
Satisfied by:	
Promissory note (Note 13)	184,082
Net cash outflow arising on acquisition:	
Cash consideration paid	–
Cash and cash equivalents acquired	171
	171

The Acquired Group contributed approximately RMB39,337,000 and RMB10,014,000 to the Group’s revenue and profit for the period ended 30 June 2016.

If the acquisition had been completed on 1 January 2016, total Group revenue for the period would have been RMB132,624,000, and loss for the period would have been RMB76,604,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is intended to be a projection of future results.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

16. CONTINGENT LIABILITIES

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities (2015:Nil)

17. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Property, plant and equipment Contracted but not provided for	45,040	45,040

18. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances disclosed elsewhere in these Interim Financial Statements, the Group entered into the following material related party transactions.

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Rental expenses paid to Ms. Cai Xiuman	-	64

(b) During the year ended 31 December 2009, UK Greiff (beneficially owned by Ms. Cai Xiuman) granted a license to Greiff Xiamen for the use of the trademark "Greiff" for an initial period of ten years for a royalty of RMB80,000 per annum, at the end of initial period all terms are renegotiated. The licensing agreement was subsequently terminated and replaced by a revised licensing agreement signed on 10 February 2011 for granting Greiff Xiamen a sole and exclusive license to use the trademark "Greiff" for a term from 10 February 2011 to 27 January 2019. Pursuant to the revised licensing agreement, no charge will be payable on the use of the trademark by the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

18. RELATED PARTY TRANSACTIONS *(continued)*

(c) Key management personnel remuneration

The emoluments of the Company's Directors, who are also identified as members of key management of the Group, are set out in Note 7.

19. EVENTS AFTER REPORTING PERIOD

The following significant events took place subsequent to 30 June 2016:

- (1) Subsequent to 30 June 2016, the Group received the refund of the remaining balance of prepayment of RMB18,330,000 as stated in Note 11.
- (2) With reference to the announcements dated 23 June 2016 and 13 July 2016, the Company has entered into a subscription agreement and supplemental subscription agreement with the subscriber, pursuant to which the Company has conditionally agreed to issue and the subscriber has conditionally agreed to subscribe for the convertible bonds in the aggregate principal amount of HK\$92,000,000 with initial conversion price of HK\$0.4378 per conversion share. On 8 July 2016, upon completion of the shares disposal by the controlling shareholder to the purchaser of 465,884,543 shares, representing 29% of the issued share capital of the Company at disposal completion date, the purchaser becomes a substantial shareholder of the Company. Since the subscriber and the purchaser are both wholly owned subsidiaries of Huarong Overseas Investment Holdings Co., Limited, a company incorporated in Hong Kong with limited liability, the subscriber becomes a connected person of the Company under Charter 14A of the Listing Rules. Completion of the subscription of convertible bonds is therefore subject to the fulfilment of the requirements under Chapter 14A of the Listing Rules, including but not limited to seeking Independent Shareholder's approval for the subscription at the EGM. At the approval date of these Interim Financial Statements, the subscription is not yet completed.

20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Group.

21. APPROVAL OF FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by Board of Directors on 30 August 2016.