



**SINO ENERGY INTERNATIONAL
HOLDINGS GROUP LIMITED**
中能國際控股集團有限公司

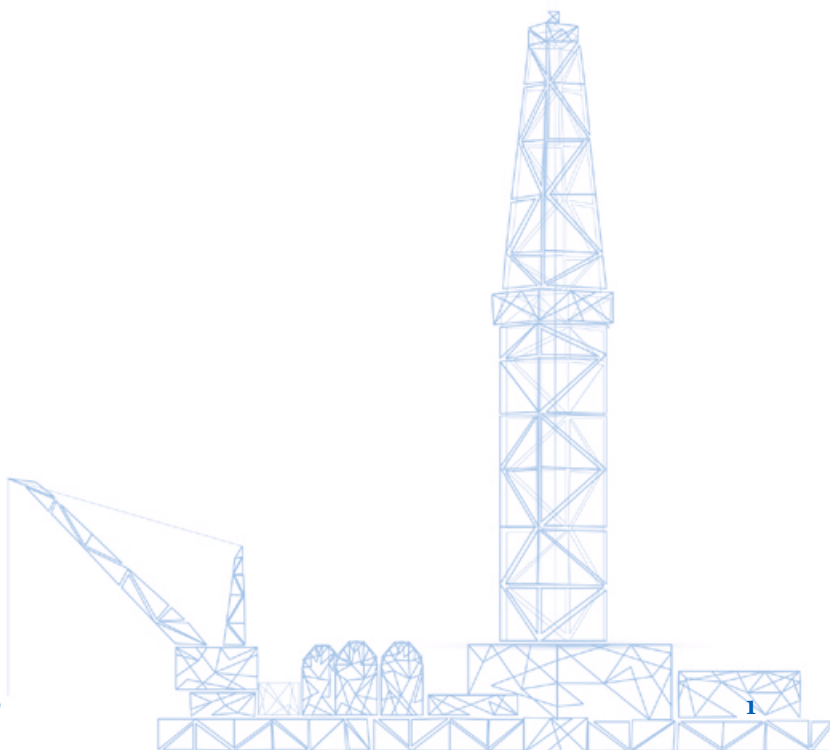
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1096)



Interim Report 2019

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Jianbao
(Chairman and Joint Chief Executive Officer)
Ms. Cai Xiunan
Mr. Zhang Wenbin
(Joint Chief Executive Officer)
Mr. Wang Qingshan
Mr. Zhu Tianxiang

Independent Non-Executive Directors

Mr. Chen Jinzhong, Roy
Mr. Wang Xianzhang
Mr. Chai Chung Wai

BOARD COMMITTEES

Audit Committee

Mr. Chen Jinzhong, Roy *(Chairman)*
Mr. Wang Xianzhang
Mr. Chai Chung Wai

Remuneration Committee

Mr. Chen Jinzhong, Roy *(Chairman)*
Mr. Wang Xianzhang
Mr. Chai Chung Wai

Nomination Committee

Mr. Chen Jinzhong, Roy *(Chairman)*
Mr. Wang Xianzhang
Mr. Chai Chung Wai

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

Shoes Industrial Park
Baogai Town
Shishi
Fujian Province
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1408B, 14/F,
Shun Tak Centre West Tower,
168-200 Connaught Road Central,
Sheung Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers 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

INDEPENDENT AUDITOR

ZHONGHUI ANDA CPA Limited

LEGAL ADVISER

As to Hong Kong law:
Winston & Strawn

STOCK CODE

01096

COMPANY WEBSITE

www.sino-energyint.com.hk



Financial Highlights

KEY FINANCIAL HIGHLIGHTS

For the six months ended 30 June

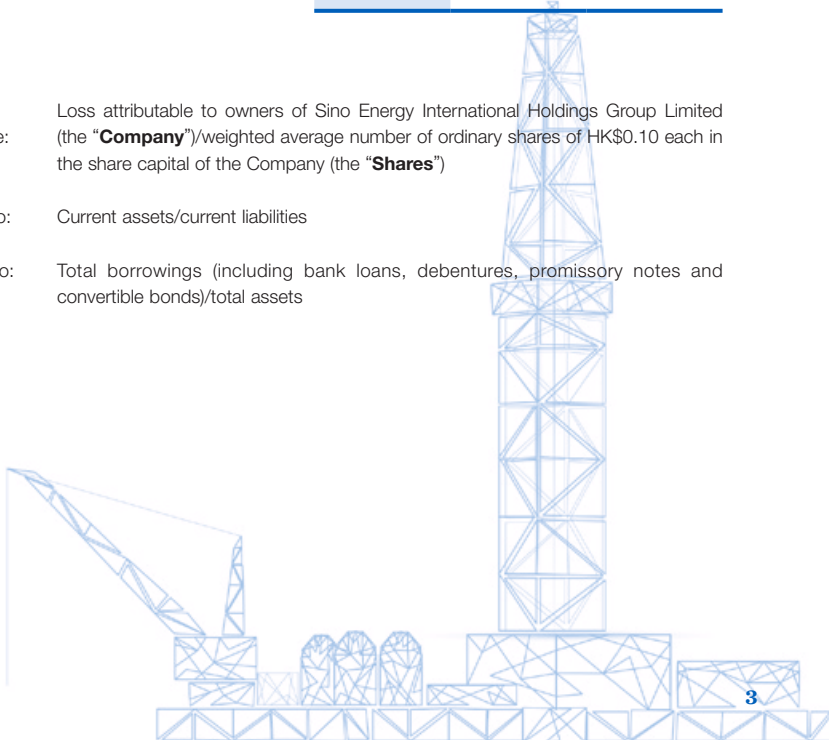
	Note	2019	2018	% change
Revenue (RMB'000)		47,806	58,787	18.7%
Gross profit (RMB'000)		8,065	5,435	48.4%
Loss before taxation (RMB'000)		(187,551)	(69,231)	170.9%
Loss for the period (RMB'000)		(188,824)	(70,086)	169.4%
Gross profit margin (%)		16.9%	9.2%	
Loss after tax margin (%)		(394.98%)	(119.2%)	
Loss per share – Basic (RMB)	1	(0.11)	(0.04)	

As at 30 June/31 December

		2019	2018
Current ratio (times)	2	0.8	1.6
Gearing ratio (%)	3	153.8%	116.0%

Notes for key ratios:

- 1/ Basic loss per share: Loss attributable to owners of Sino Energy International Holdings Group Limited (the “**Company**”)/weighted average number of ordinary shares of HK\$0.10 each in the share capital of the Company (the “**Shares**”)
- 2/ Current ratio: Current assets/current liabilities
- 3/ Gearing ratio: Total borrowings (including bank loans, debentures, promissory notes and convertible bonds)/total assets



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.

The retail market in China has suffered the impact of trade war between United States and China during the first half of 2019. During the period, through careful examination and review of the Group's store network, gross profit increased by 48.4% for the six months ended 30 June 2019 as compared to gross profit for the corresponding period in 2018.

Prospects

Looking ahead, the global economy and geopolitical developments will continue to bring challenges. To diversify the business of the Group and to increase the Group's source of revenue, the Company has been seeking various development opportunities by entering into the strategic cooperation agreement with Sino-Russian Grain Innovation and Innovation Center (Yingkou) Co., Ltd ("**Grain Innovation**") and China (Liaoning) Free Trade Zone, Yingkou Area Management Committee on 31 October 2018. The Board is optimistic for the prospects for grain industry. The strategic cooperation agreement enables the Group to obtain from Grain Innovation the supply of grain which the Group can trade for profit. Further, with strong support from the PRC government, the Board believes that the strategic cooperation agreement offers a good opportunity to the Group to diversify its business into grain business and to broaden the Group's revenue base in the future. The Group will continue its established business diversification strategies, moving from operating a traditional retail business to expanding to the other business sectors and allocating more resources for the latter.

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 the Shareholders.



The Directors have been closely monitoring the liquidity risks and the financial resources of the Group. With the increasing tension of the trade war between the United States and China, the fluctuation of the global and Hong Kong equity market and more challenges in both equity and debt fundraising, the Directors are of the view that the debt position, finance cost and operating performance are expected to be worsening in the foreseeable future, which could cause the Group facing significant liquidity risks. As such, the Directors are considering a basket of possible measures to refurbish the financial position of the Group as well as to maintain a controllable level of liquidity risk, including but not limited to:

- (1) seeking to acquire targets with synergies to our current operations and/or a genuine business prospect;
- (2) reviewing the existing operations to consider if there is any need to dispose non-performing business units;
- (3) streamlining the existing businesses to enhance profitability; and
- (4) exploring different possible refinancing or debt restructuring opportunities.

The Directors will keep monitoring the liquidity risks and put their best efforts into increasing the Group's liquidity and maintain the financial health of the Group.

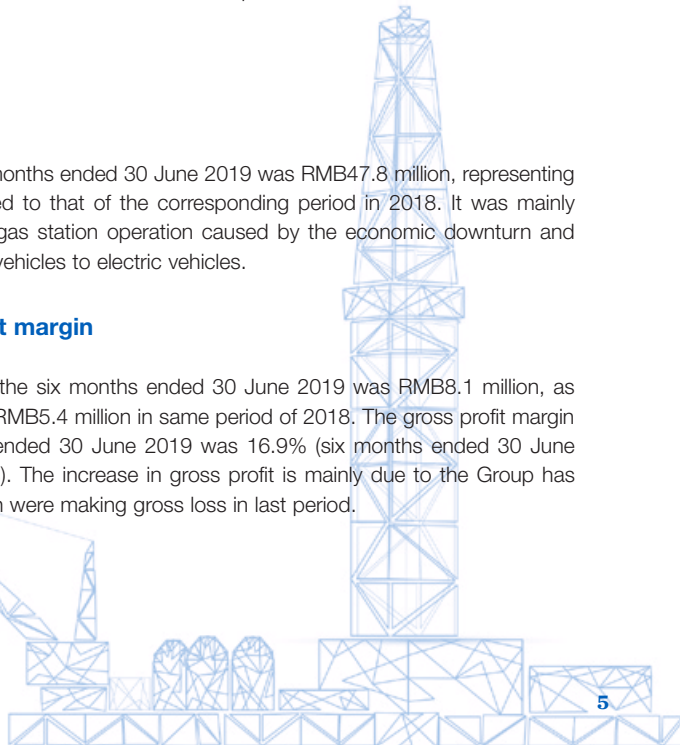
FINANCIAL REVIEW

Revenue

Revenue of the Group for the six months ended 30 June 2019 was RMB47.8 million, representing a decrease of 18.7% as compared to that of the corresponding period in 2018. It was mainly due to the decline of revenue of gas station operation caused by the economic downturn and preference switch from traditional vehicles to electric vehicles.

Gross profit and gross profit margin

The gross profit of the Group for the six months ended 30 June 2019 was RMB8.1 million, as compared with the gross profit of RMB5.4 million in same period of 2018. The gross profit margin of the Group for the six months ended 30 June 2019 was 16.9% (six months ended 30 June 2018: gross profit margin of 9.2%). The increase in gross profit is mainly due to the Group has stopped selling old products which were making gross loss in last period.



Management Discussion and Analysis

Other income

The decrease in other income from RMB3.2 million for the six months ended 30 June 2018 to RMB1.8 million for six months ended 30 June 2019 was mainly due to the reversal of impairment of inventories and gain on early redemption of debentures of RMB1.2 million and RMB0.9 million respectively for six months ended 30 June 2018 while no such items in the corresponding period in 2019.

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 RMB2.4 million, accounted for approximately 5.1% of revenue during the six months ended 30 June 2019 (six months ended 30 June 2018: 4.7%). The distribution and selling expenses decreased from RMB2.8 million for the six months ended 30 June 2018 to RMB2.4 million for the six months ended 30 June 2019, which is due to the tighten cost control.

Administrative expenses

Administrative expenses increased by 348.8% to RMB114.6 million for the six months ended 30 June 2019 from RMB25.5 million for the six months ended 30 June 2018, which is mainly due to loss on fair value change on modification of debentures amounting to approximately RMB89.3 million.

Finance costs

Finance costs increased by 50.3% to RMB80.4 million for the six months ended 30 June 2019 from RMB53.5 million for the six months ended 30 June 2018, primarily due to the increase of convertible bonds interest incurred during the period.

Effective tax rate

As the Group incurred loss for six months ended 30 June 2019, the tax charge is mainly due to under provision of income tax from one of the subsidiaries.

Loss attributable to owners of the Company

The loss attributable to owners of the Company of RMB188.8 million for six months ended 30 June 2019 increased by 169.4%, as compared with the loss attributable to owners of the Company of RMB70.1 million for six months ended 30 June 2018, was primarily due to the increase of finance costs and loss on fair value change on modification of debentures amounting to RMB89.3 million.



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 2019, the Group had bank and cash balances and pledged deposits were RMB399.0 million (as at 31 December 2018: RMB596.2 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 borrowings, debentures and convertible bonds) divided by total assets, increased from 140.0% as at 31 December 2018 to 153.8% as at 30 June 2019.

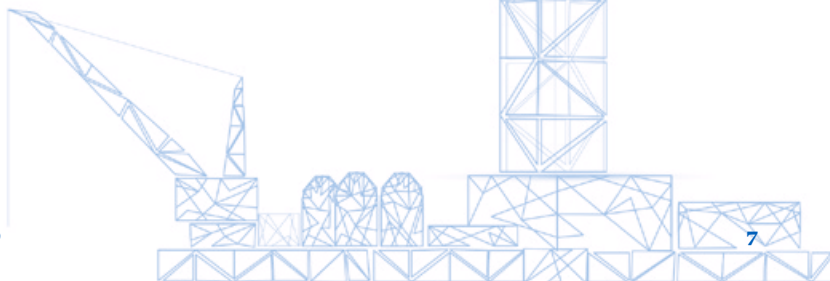
The Group primarily met its funding requirement by cash flows from operations and financing activities. During the six months ended 30 June 2019, the net cash used in operating activities and net cash used in financing activities were RMB0.9 million (six months ended 30 June 2018: net cash generated from operating activities of RMB28 million) and RMB111.9 million (six months ended 30 June 2018: net cash generated from financial activities of RMB70.8 million). The total borrowings increased to RMB99.0 million (31 December 2018: RMB86.3 million). The bank loans were repayable within one year. The Group's bank borrowings were mainly denominated in RMB.

During the six months ended 30 June 2019, the Group newly issued unlisted debentures of RMB22.4 million (six months ended 30 June 2018: RMB25.7 million) and made a settlements of RMB199.7 million (six months ended 30 June 2018: RMB27.2 million). As at 30 June 2019, the outstanding unlisted debentures amounted to RMB971.5 million (31 December 2018: RMB1,039.8 million). The debentures are repayable from August 2018 to May 2029.

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 2019.

CAPITAL STRUCTURE

As at 30 June 2019, the total number of issued Shares was 1,926,834,248 (31 December 2018: 1,606,498,422).



JOINT VENTURE AGREEMENT AND MANAGEMENT AGREEMENT

On 10 January 2019, the Company entered into a joint venture agreement (the “**Joint Venture Agreement**”) with Central and Eastern Europe International Trading Co., Limited* (中東歐國際商貿有限公司) (“**CEE International Trading**”) and Shenyang Yulinglong Business Management Company Limited* (瀋陽玉玲瓏商業管理有限公司) (“**Shenyang Yulinglong**”), pursuant to which the parties agreed to establish a joint venture company named Northeast Asia Digital Economy Innovation Entrepreneurship Center (Shenyang) Co., Ltd* (東北亞數字經濟創新創業中心(瀋陽)有限公司) (the “**Northeast Asia Digital**”) to principally engage in property management in respect of a property located at Jiulong Harbour, Middle Street in Shenyang* (瀋陽中街九龍港) with an area of approximately 9,884 square metres (the “**Property**”). The Property will be used as the operating center for the Sino-Russian Grain Corridor* (中俄糧食走廊) project, which aims to introduce quality goods from Russia, Central and Eastern Europe and Northeast Asian countries and to become a display and sales platform in the mainland China for such quality goods from the above regions. Northeast Asia Digital will also aim to obtain the Jiulong Harbour Shopping Mall* (九龍港商城) tax-free store status* (免稅店資質) for the Property.

The registered capital of Northeast Asia Digital will be RMB10,000,000, which will be contributed as to 51% (equivalent to RMB5,100,000) in cash by the Company, as to 34.3% (equivalent to RMB3,430,000) in cash by CEE International Trading, and as to 14.7% (equivalent to RMB1,470,000) in cash by Shenyang Yulinglong. Northeast Asia Digital will be owned as to 51% by the Company, as to 34.3% by CEE International Trading and as to 14.7% by Shenyang Yulinglong.

Northeast Asia Digital will be recognised as a non-wholly owned subsidiary of the Company. As a result, the financial results, assets and liabilities of Northeast Asia Digital will be consolidated into the accounts of the Group.

On 10 January 2019, the Company entered into a management agreement (the “**Management Agreement**”) with CEE International Trading and Shenyang Yulinglong for a term from the date of the Management Agreement to 31 December 2027, whereby Northeast Asia Digital will provide property management services (including property sales and rental operation), projects operation, advertising and planning services to Shenyang Yulinglong in respect of the Property.

Each of the Company, CEE International Trading and Shenyang Yulinglong shall bear the operating costs (including but not limited to property rental, utilities fee, advertising, salary and decoration fee) and shall be entitled to the income generated by the Property in proportion to their respective shareholding in Northeast Asia Digital.

Please refer to the announcement of the Company dated 10 January 2019 for details.



DISCLOSEABLE TRANSACTION IN RELATION TO THE EQUITY TRANSFER AND CAPITAL CONTRIBUTION AGREEMENT

On 20 February 2019, the Company, China Russia Food Innovation and China Russia Food Industry Fund (Yingkou) Co., Ltd.* (中俄糧食產業基金(營口)有限公司) (the “**China Russia Food Industry**”) entered into an agreement, pursuant to which (i) the Company (or its wholly-owned subsidiary) shall acquire 51% equity interest in China Russia Food Industry from China Russia Food Innovation at the consideration of RMB1 (the “**Equity Acquisition**”); and (ii) the Company shall inject RMB25,500,000 (equivalent to approximately HK\$29,613,285.33) into China Russia Food Industry as paid-up capital, representing 51% of the registered capital of China Russia Food Industry (the “**Capital Contribution**”). Upon completion of the Equity Acquisition and the Capital Contribution, the Group will be interested in 51% equity interest in China Russia Food Industry. Please refer to the announcement of the Company dated 20 February 2019 for details.

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF 51% INTEREST IN A TARGET COMPANY

On 29 March 2019, the Company, Mr. Pan Ji Tao (the “**Vendor**”) and Shangrao Jinbi Mining Co., Ltd.* (上饒市金碧礦業有限公司, the “**Target Company**”) entered into an equity transfer agreement, pursuant to which the Company (or its wholly-owned subsidiary) shall acquire 51% equity interest in the Target Company from the Vendor at the consideration of RMB80,580,000 (equivalent to approximately HK\$93,697,674.42), which is determined after arm’s length negotiation with reference to a valuation report by an independent valuer that valued the mining permit for a copper mine of approximately 0.6927 square kilometres located in Guizhou, the PRC with production capacity of 100,000 tonnes per year (the “**Mining Permit**”) at RMB158,019,200 as at 31 July 2018.

The Group will be interested in 51% equity interest in the Target Company and the Target Company will become a subsidiary of the Company upon completion of the relevant registration procedures.

Please refer to the announcements of the Company dated 29 March 2019 and 4 June 2019 for details.

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

Save as disclosed herein, there were no significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures by the Company during the six months ended 30 June 2019.

Management Discussion and Analysis

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 and debentures are denominated in HK\$ and United States Dollars.

During the six months ended 30 June 2019, 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 2019, the Group had pledged its land use rights for the purpose of securing bank loans.

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

There were no significant contingent liabilities for the Group as at 30 June 2019.

HUMAN RESOURCES

As at 30 June 2019, the Group employed 147 employees (as at 30 June 2018: 175 employees) with total staff costs of RMB8.5 million incurred for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB7.4 million). The Group offered competitive salary package, as well as discretionary bonuses and contribution to social insurance to its employees.



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

As at 30 June 2019, 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 the 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 positions in the Shares:

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding in the Company
Mr. Chen Jianbao (Note 1)	Interest of controlled corporation	722,267,408	37.48%
Ms. Cai Xiuman (Note 2)	Interest of controlled corporation	150,000,000	7.78%
	Beneficial owner	20,950,000	1.09%
Mr. Zhang Wenbin (Note 3)	Interest of spouse	170,950,000	8.87%

Notes:

1. Mr. Chen Jianbao is deemed to be interested in the 722,267,408 Shares as he directly holds 34.57% of Huarong Energy Investment Company Limited.
2. Ms. Cai Xiuman is the beneficial owner of the entire issued share capital of Festive Boom Limited which holds 150,000,000 Shares. Ms. Cai Xiuman is also the director of Festive Boom Limited.
3. Mr. Zhang Wenbin is deemed to be interested in the 170,950,000 Shares beneficially held by his spouse Ms. Cai Xiuman.

Disclosure of Interests

(ii) Long positions in shares of 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 2019, save as disclosed herein, none of the Directors and chief executive of the Company had any interest or 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 the 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 2019, the following persons, other than the Directors and chief executive of the Company, had interests and short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Long positions in Shares and underlying Shares

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of shareholding in the Company
Mr. Sun Siu Kit (Note 1)	Interest of controlled corporations	932,409,025	48.39%
廣東錦峰集團有限公司 (Note 2)	Interest of controlled corporations	932,409,025	48.39%
華融致遠投資管理有限責任公司 (Note 3)	Interest of controlled corporations	932,409,025	48.39%
華融華僑資產管理股份有限公司 (Note 4)	Interest of controlled corporations	932,409,025	48.39%
China Huarong Asset Management Co., Ltd. (Note 5)	Interest of controlled corporations	932,409,025	48.39%
Ministry of Finance of the People's Republic of China (Note 5)	Interest of controlled corporations	932,409,025	48.39%
Mr. Zhou Lianggao	Beneficial owner	213,000,000	11.05%
Central China International Investment Company Limited (Note 6)	Beneficial owner	208,333,333	10.81%
Central China Securities Co. Ltd. (Note 6)	Interest of controlled corporations	208,333,333	10.81%
Central China International Financial Holdings Company Limited (Note 7)	Interest of controlled corporations	208,333,333	10.81%
Golden Talent Global Merit Selection Fund Series SPC	Investment manager	159,596,000	8.28%
Festive Boom Limited	Beneficial owner	150,000,000	7.78%

Disclosure of Interests

Notes:

1. Mr. Sun Siu Kit is deemed to be interested in the 932,409,025 Shares as he indirectly holds 100% of the issued share capital of 廣東錦峰集團有限公司.
2. 廣東錦峰集團有限公司 is deemed to be interested in the 932,409,025 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, which holds 210,141,617 convertible Shares and also holds 65.43% of the issued share capital of Huarong Energy Investment Company Limited, which holds 465,884,543 Shares and 256,382,865 convertible Shares.
3. 華融致遠投資管理有限責任公司 is deemed to be interested in the 932,409,025 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, which holds 210,141,617 convertible Shares and also holds 65.43% of the issued share capital of Huarong Energy Investment Company Limited, which holds 465,884,543 Shares and 256,382,865 convertible Shares.
4. 華融華僑資產管理股份有限公司 is deemed to be interested in the 932,409,025 Shares as it holds 100% of the issued share capital of Huarong Overseas Investment Holdings Co., Limited, which directly holds 100% of the issued share capital of Infinity Growth Capital Limited, which holds 210,141,617 convertible Shares and also holds 65.43% of the issued share capital of Huarong Energy Investment Company Limited, which holds 465,884,543 Shares and 256,382,865 convertible Shares.
5. Ministry of Finance of the People's Republic of China is deemed to be interested in the 932,409,025 Shares as it holds 67.75% 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.
6. Central China Securities Co. Ltd. is deemed to be interested in the 208,333,333 Shares as it directly holds 100% of the issued share capital of the Central China International Financial Holdings Company Limited, and indirectly holds 100% of the issued share capital of Central China International Investment Company Limited.
7. Central China International Financial Holdings Company Limited is deemed to be interested in the 208,333,333 Shares as it directly holds 100% of the issued share capital of the Central China International Investment Company Limited.

Save as disclosed above, the Directors are not aware of any person, other than the Directors 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 at 30 June 2019.



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. 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 of the Company dated 16 September 2011 (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 from time to time.

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 the independent non-executive 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 of Directors (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. The remaining life of the Share Option Scheme is 1.5 years.

Disclosure of Interests

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 shares 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 the eligible participants during the six months ended 30 June 2019 are as follows:

Holders	Grant date	Exercise from	Exercise until	Number of share options held					Balance as at 30 June 2019	Exercise price (HK\$)	Approximate percentage of shareholding in the Company
				Balance as at 1 January 2019	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	0.57%
	29 April 2016	29 April 2016	29 April 2026	80,500,000	-	-	-	-	80,500,000	0.46	4.18%
Business partners and consultants of the Group	29 April 2016	29 April 2016	29 April 2026	55,500,000	-	-	-	-	55,500,000	0.46	2.88%
				147,000,000	-	-	-	-	147,000,000		

During the six months ended 30 June 2019, no share options were granted, exercised, cancelled or lapsed under the Share Option Scheme.

ISSUE OF THE CONVERTIBLE BONDS

On 21 November 2016, the Company issued the convertible bonds with a principal amount of HK\$92,000,000 (the “**Convertible Bonds A**”) and HK\$120,000,000 (the “**Convertible Bonds B**”) respectively. On 28 December 2016, the Company issued the convertible bonds with a principal amount of HK\$150,000,000. (the “**Convertible Bonds C**”, together with Convertible Bonds A and Convertible Bonds B, the “**Convertible Bonds**”). The Company considered the issue of the Convertible Bonds could raise funds in the capital market.

On 18 January 2019, the Company, Central China International Investment Company Limited (“**Central China**”), Mr. Chen Jianbao and Ms. Song Lin entered into a supplemental agreement pursuant to which the Company agreed with Central China to amend certain terms and conditions of the Convertible Bonds C in the aggregate principal amount of HK\$100,000,000 (the “**Supplemental Agreement**”), which the conversion price has been adjusted to HK\$0.2, subject to adjustments in accordance with the terms and conditions of the Convertible Bonds C and a maximum number of 500,000,000 conversion Shares shall be allotted and issued upon exercise in full of the conversion rights. The Supplemental Agreement was approved by the Shareholders on 15 March 2019. Please refer to the announcements of the Company dated 18 January 2019 and the circular of the Company dated 28 February 2019 for details.



Assuming that there is no change in share capital of the Company since 30 June 2019 and the conversion rights attached to the Convertible Bonds are exercised in full, the number of issued shares of the Company will be increased by 1,070,691,148 (the “**Conversion Shares**”), representing approximately 55.57% of the issued share capital of the Company as at 30 June 2019 (i.e. 1,926,834,248 Shares) and approximately 35.72% of the issued share capital of the Company as enlarged (i.e. 2,997,525,396 Shares) by the allotment and issue of the Conversion Shares.

Dilution impact of the conversion of Convertible Bonds

Set out below is the dilution effect on equity interest of the substantial shareholders of the Company upon the fully conversion of the outstanding Convertible Bonds.

Substantial Shareholders	As at 30 June 2019		Upon full conversion of Convertible Bonds as at 30 June 2018	
	Number of Shares	Approximately % of issued Shares	Number of Shares	Approximately % of issued Shares
Mr. Chen Jianbao	465,884,543	24.18	465,884,543	15.54
Huarong Energy Investment Company Limited	Nil	Nil	256,382,865	8.55

Dilution impact on loss per share

As calculated based on loss attributable to owners of the Company of approximately HK\$189 million for the six months ended 30 June 2019, basic and diluted earnings per share of the Company amounted to HK0.11 cent and HK0.11 cent, respectively.

The Company shall not redeem the Convertible Bonds at its option prior to the maturity date.

According to the terms and conditions of Convertible Bonds A and Convertible Bonds B, Convertible Bonds A and Convertible Bonds B have maturity periods of 2 years from their date of completion, i.e. on 20 November 2018. According to the terms and conditions of Convertible Bonds C, Convertible Bonds C has a maturity period of 22 months from its date of completion, i.e. on 27 October 2018 (the “**Maturity Date**”). According to the Supplemental Agreement, the Convertible Bonds C in the aggregate principal amount of HK\$100,000,000 had an extended term commencing from (and including) the Maturity Date (i.e. 27 October 2018) and expiring on the date falling on the sixth months from the Maturity Date (i.e. 27 April 2019). Thus, an analysis on the Company’s share price at which it would be equally financially advantageous for the securityholders to convert or redeem the Convertible Bonds based on their implied rate of return at a range of dates in the future is not applicable.

Corporate Governance and Other Information

INTERIM DIVIDENDS

The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

EVENTS AFTER REPORTING PERIOD

Proposed Issue of Debentures

On 23 July 2019, the Board considered and approved a resolution in relation to the issue of debentures with aggregate principal up to HK\$300 million (the “**Debentures**”).

The Company intends to use the net proceeds from the issue of the Debentures for the repayment of the existing debts and as the general working capital of the Group.

The Directors consider that raising funds by issuing Debentures provides an opportunity for the Company to repay the existing debts and enhance its working capital. The Directors consider that the issue of the Debentures is an appropriate means of raising additional capital for the Company since it will not have any dilution effect on the shareholding of the existing Shareholders.

As at the date of this report the Company has not identified any subscriber in respect of the subscription for the Debentures or entered into any subscription agreement with any subscriber, and no Debentures have been issued.

Please refer to the announcement of the Company dated 23 July 2019 for details.

Save as disclosed herein, there were no significant events after the six months ended 30 June 2019 up to the date of this report.

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 as contained in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”). During the six months ended 30 June 2019, the Company has complied with all the code provisions of the Corporate Governance Code except for the following deviations:

Code Provisions E.1.2

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) was unable to attend the annual general meeting of the Company which was held on 5 June 2019 due to their other business engagement.



NON-COMPLIANCE WITH RULES 3.10, 3.10A AND 3.21 OF THE LISTING RULES

During the period ended 30 June 2019, the Company was non-compliance with Rule 3.10A of the Listing Rules, which stipulates that the independent non-executive Directors should represent at least one-third of the Board, following the resignation of Mr. Gu Renliang as an independent non-executive Director on 1 November 2018 (the “**Resignation**”).

During the period ended 30 June 2019, the Company was also non-compliance with Rules 3.10(1) and 3.21 of the Listing Rules which stipulate that the Board must include at least three independent non-executive Directors and the audit committee must comprise a minimum of three members respectively, following the Resignation. Pursuant to Rule 3.11 of the Listing Rules, the Company should appoint an additional independent non-executive Director within three months after failing to meet the requirements under Rules 3.10(1) and 3.10A of the Listing Rules. Furthermore, Rule 3.23 of the Listing Rules requires the Company to appoint an additional appropriate member to the Audit Committee within three months after failing to meet the requirements under Rule 3.21 of the Listing Rules. However, the Company was unable to identify and appoint a suitable candidate to fill the vacancy within three months after the Resignation.

The Company was compliance with Rules 3.10A, 3.10 and 3.21 after Mr. Chai Chung Wai was appointed as an independent non-executive Director and a member of the audit committee of the Company (the “**Audit Committee**”) on 22 February 2019.

Please refer to the announcements of the Company dated 11 November 2018, 31 December 2018, 21 January 2019, 1 February 2019, 22 February 2019 and 25 February 2019 for details.

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 2019.

AUDIT COMMITTEE

The Audit Committee 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 results for the six months ended 30 June 2019.

SUBSCRIPTIONS OF NEW SHARES UNDER GENERAL MANDATE

The First Subscription

On 11 March 2019, the Company entered into a subscription agreement with Chengdu Huasu Network Technology Service Co., Ltd.* (成都華速網絡技術服務有限公司) (“**Chengdu Huasu**”) pursuant to which Chengdu Huasu had conditionally agreed to subscribe, and the Company had conditionally agreed to allot and issue, an aggregate of 77,335,826 subscription Shares at the subscription price of HK\$0.2565 per subscription Share (the “**First Subscription**”). Chengdu Huasu is a company established in the PRC with limited liability and is principally engaged in IT information network service. To the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, Chengdu Huasu and its ultimate beneficial owner are a third party independent of the Company and its connected persons.

The subscription price of HK\$0.2565 per subscription Share represents: (i) a discount of approximately 8.39% to the closing price of HK\$0.28 per Share as quoted on the Stock Exchange on the date of the agreement of the First Subscription; (ii) a premium of approximately 1.22% to the average closing price of approximately HK\$0.2534 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately before the date of the agreement of the First Subscription; and (iii) a discount of approximately 1.42% to the average closing price of approximately HK\$0.2602 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately before the date of the agreement of the First Subscription.

The aggregate gross proceeds of the First Subscription were approximately HK\$19,836,639. The aggregate net proceeds of the First Subscription, after the deduction of related expenses, were approximately HK\$19,636,639. The Company intends to apply the net proceeds of the First Subscription for the purpose of repayment of the outstanding indebtedness. The net price of each subscription Share allotted and issued under the First Subscription were approximately HK\$0.2539.

The Directors were of the view that the First Subscription can strengthen the financial position of the Group and provide immediate funding to the Group for the purpose of repayment of the outstanding indebtedness. The First Subscription also represents good opportunities to broaden the Shareholders’ base and the capital base of the Company.

On 29 March 2019, 77,335,826 subscription Shares were issued and allotted to Chengdu Huasu under the First Subscription.

Please refer to the announcements of the Company dated 11 March 2019 and 12 March 2019 for details of the First Subscription.



The Second Subscriptions

On 11 March 2019, the Company entered into subscription agreements with Mr. Zhou Lianggao and Mr. Zhang Wei respectively, pursuant to which Mr. Zhou Lianggao and Mr. Zhang Wei had conditionally agreed to subscribe, and the Company had conditionally agreed to allot and issue, 213,000,000 subscription Shares and 30,000,000 subscription Shares respectively at the subscription price of HK\$0.2 per subscription Share (the “**Second Subscriptions**”). Mr. Zhou Lianggao and Mr. Zhang Wei are individuals who are PRC residents. Both Mr. Zhou Lianggao and Mr. Zhang Wei are merchants. To the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, Mr. Zhou Lianggao and Mr. Zhang Wei are a third party independent of the Company and its connected persons.

The subscription price of HK\$0.2 per subscription Share represents: (i) a discount of approximately 8.50% to the closing price of HK\$0.217 per Share as quoted on the Stock Exchange on the date of the agreements of the Second Subscriptions; (ii) a discount of approximately 10.70% to the average closing price of approximately HK\$0.2214 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately before the date of the agreements of the Second Subscriptions; and (iii) a discount of approximately 15.60% to the average closing price of approximately HK\$0.2312 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately before the date of the agreements of the Second Subscriptions.

The aggregate gross proceeds of the Second Subscriptions were approximately HK\$48,600,000. The aggregate net proceeds of the Second Subscriptions, after the deduction of related expenses, were approximately HK\$48,400,000. The Company intends to apply the net proceeds of the Second Subscriptions for (i) the purpose of financing the consideration in relation to the acquisition of 51% equity interest in Shangrao Jinbi Mining Co., Ltd.* (上饒市金碧礦業有限公司) as disclosed under the paragraph headed “Discloseable Transaction in relation to Acquisition of 51% interest in a Target Company” and more fully described in the announcement of the Company dated 29 March 2019 and (ii) general working capital. The net price of each subscription Share allotted and issued under the Second Subscriptions were approximately HK\$0.1992.

The Directors were of the view that the Second Subscriptions can strengthen the financial position of the Group and provide immediate funding to the Group for the purpose of repayment of the outstanding indebtedness. The Second Subscriptions also represent good opportunities to broaden the Shareholders’ base and the capital base of the Company.

On 13 June 2019, 213,000,000 subscription Shares and 30,000,000 subscription Shares were issued and allotted to Mr. Zhou Lianggao and Mr. Zhang Wei respectively under the Second Subscriptions.

Please refer to the announcement of the Company dated 23 May 2019 for details of the Second Subscriptions.

Corporate Governance and Other Information

The intended and actual use of proceeds from the First Subscription and the Second Subscriptions up to 30 June 2019 is set out as follows:

Fund raising activities	Net proceeds raised (HK\$ million)	Proposed use of proceeds	Actual use of proceeds up to 30 June 2019 (HK\$ million)	Unutilized proceeds (HK\$ million)
First Subscription	19.64	For repayment of the outstanding indebtedness	19.64	-
Second Subscriptions	48.40	For		
		(i) the purpose of financing the consideration in relation to the acquisition of 51% equity interest in Shangrao Jinbi Mining Co., Ltd.* (上饒市金碧礦業有限公司) and	48.00	-
		(ii) general working capital	0.40	-

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save as disclosed herein, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

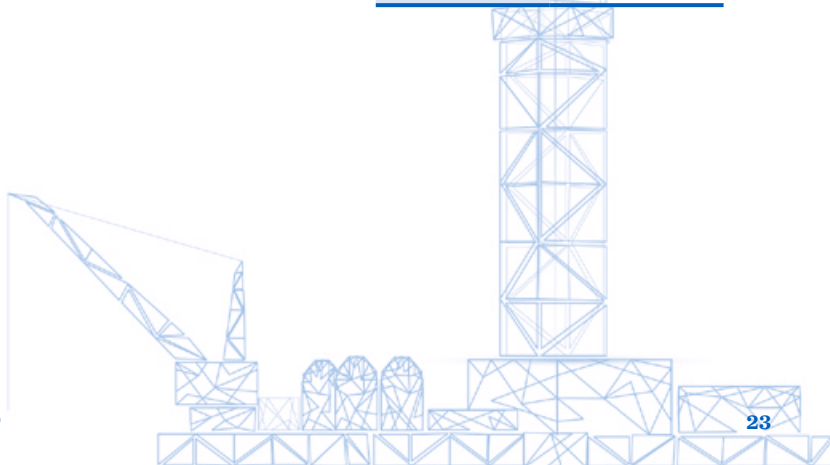
The interim results announcement is published on the websites of the Company and the Stock Exchange. The Company's 2019 interim report for the six months ended 30 June 2019 containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the said websites in due course.



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	6	47,806	58,787
Cost of sales		(39,741)	(53,352)
Gross profit		8,065	5,435
Other income		1,833	3,175
Distribution and selling expenses		(2,438)	(2,750)
Administrative expenses		(114,582)	(25,529)
Reversal of impairment of trade receivables		-	3,945
Loss from operation		(107,122)	(15,724)
Finance costs	7	(80,429)	(53,507)
Loss before tax		(187,551)	(69,231)
Income tax	8	(1,273)	(855)
Loss for the period	9	(188,824)	(70,086)
Other comprehensive loss: <i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(635)	(10,767)
Total comprehensive loss for the period		(189,459)	(80,853)



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Loss for the period attributable to:			
Owners of the Company		(188,824)	(70,086)
Non-controlling interests		–	–
		(188,824)	(70,086)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(189,459)	(80,853)
Non-controlling interests		–	–
		(189,459)	(80,853)
Loss per share			
Basic and diluted (RMB)	11	(0.11)	(0.04)



Condensed Consolidated Statement of Financial Position

As at 30 June 2019
(Expressed in RMB)

	Notes	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited and restated)
Non-current assets			
Property, plant and equipment	12	142,498	144,363
Right-of-use assets		4,936	4,988
Investments at fair value through profit or loss		82,713	40,000
Prepayments for acquisition of a subsidiary		42,532	–
Goodwill		47,568	47,568
		320,247	236,919
Current assets			
Inventories		6,432	5,278
Trade and other receivables	13	170,206	160,181
Amount due from a director		82,006	82,876
Bank and cash balances		399,013	596,151
		657,657	844,486
Current liabilities			
Trade and other payables	14	127,555	106,672
Tax payables		22,266	14,789
Amount due to a director		13,013	4,666
Borrowings		98,969	86,292
Debentures		119,376	76,773
Convertible bonds		433,444	387,865
		814,623	677,057

Condensed Consolidated Statement of Financial Position

As at 30 June 2019
(Expressed in RMB)

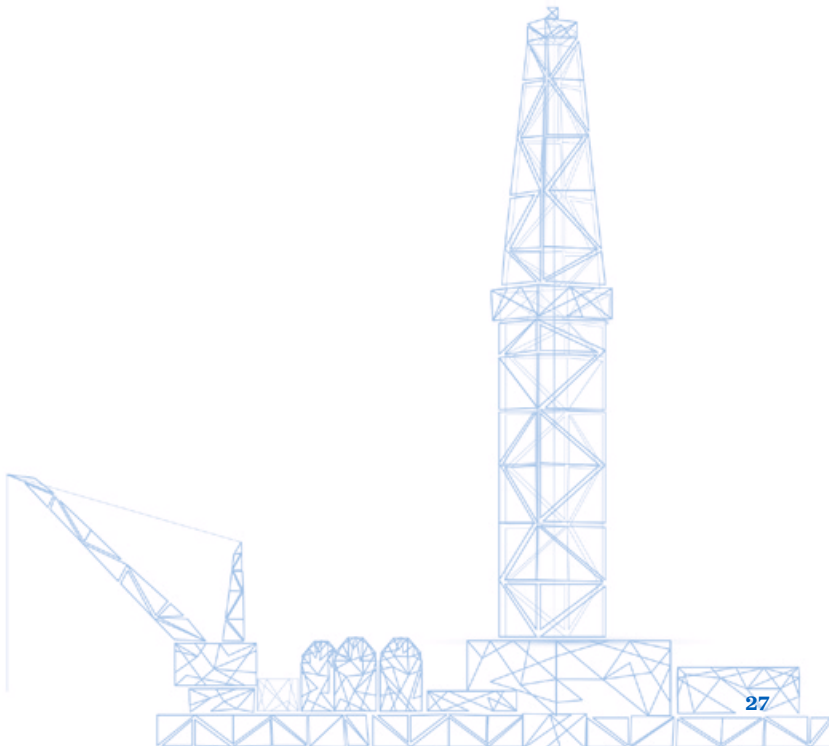
	Notes	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited and restated)
Net current (liabilities)/assets		(156,966)	167,429
Total assets less current liabilities		163,281	404,348
Non-current liabilities			
Debentures		852,075	963,004
NET LIABILITIES		(688,794)	(558,656)
Capital and reserves			
Share capital	15	158,224	130,258
Reserves		(844,660)	(686,556)
Equity attributable to owners of the Company		(686,436)	(556,298)
Non-controlling interests		(2,358)	(2,358)
TOTAL DEFICIT		(688,794)	(558,656)



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the Company										
	Share capital	Share premium	Other reserve	Statutory reserve	Convertible bonds equity reserve	Capital reserve	Foreign currency translation reserve	Retained profits/(accumulated losses)	Total	Non-controlling interests	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)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
At 1 January 2018 (Audited)	130,258	384,423	2,268	30,250	78,315	33,395	37,871	(939,964)	(243,184)	(2,358)	(245,542)
Total comprehensive loss for the period	-	-	-	-	-	-	(10,767)	(70,086)	(80,853)	-	(80,853)
Lapsed of share options	-	-	-	-	-	(144)	-	144	-	-	-
At 30 June 2018	130,258	384,423	2,268	30,250	78,315	33,251	27,104	(1,009,906)	(324,037)	(2,358)	(326,395)
At 1 January 2019 (Audited)	130,258	384,423	2,268	29,827	78,315	33,281	(14,776)	(1,199,894)	(556,298)	(2,358)	(558,656)
Issue of shares	27,966	31,355	-	-	-	-	-	-	59,321	-	59,321
Total comprehensive loss for the period	-	-	-	-	-	-	(635)	(188,824)	(188,459)	-	(188,459)
At 30 June 2019	158,224	415,778	2,268	29,827	78,315	33,281	(15,411)	(1,388,718)	(686,436)	(2,358)	(688,794)



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	(860)	28,007
Cash flows from investing activities		
Prepayment for acquisition of a subsidiary	(42,532)	–
Acquisition of investment at fair value through profit or loss	(42,713)	–
Other investing cash flows	1,331	–
Net cash used in investing activities	(83,914)	–
Cash flows from financing activities		
New bank loans raised	9,570	–
Repayment of bank loan	–	(24,970)
Repayment of debentures	(199,674)	(27,213)
Net proceeds from issuing debentures	22,448	25,670
Interest paid	(11,938)	(20,316)
Changes in due from/to a director	8,347	(23,965)
Proceeds from issue of shares under general mandate	59,321	–
Net cash used in financing activities	(111,926)	(70,794)
Net decrease in cash and cash equivalents	(196,700)	(42,787)
Cash and cash equivalents at beginning of period	596,151	592,838
Effect of changes in foreign exchange rate	(438)	7,006
Cash and cash equivalents at end of period	399,013	557,057
Analysis of cash and cash equivalents		
Bank and cash balances	399,013	557,057



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

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 1408B, 14/F., Shun Tak Centre West Tower, 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 period, 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. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately RMB188,824,000 for the six months ended 30 June 2019 and as at 30 June 2019 the Group had net current liabilities and net liabilities of approximately RMB156,966,000 and approximately RMB688,794,000, respectively. 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 interim 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 condensed 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 condensed 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3. BASIS OF PREPARATION

These condensed 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 disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

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.

These condensed financial statements should be read in conjunction with the 2018 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2018 except as stated below.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset’s useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land use rights	2%
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Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group’s incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.



4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, 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 2019. 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 except as stated below:

IFRS 16 “Leases”

Prepaid land lease payments are now classified as right-of-use assets.

IFRS 16 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	31 December 2018 RMB’000	1 January 2018 RMB’000
Decrease in prepaid land lease payments	(4,988)	(5,093)
Increase in right-of-use assets	4,988	5,093

The Group has not applied the new IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

5. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values. The carrying amounts of the investments at fair value through profit or loss representing the investment cost less impairment approximate its respective fair values.

6. 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.

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:

	Operation of gas stations RMB'000	Manufacturing and sale of casual footwear, apparel and related accessories and others RMB'000	Total RMB'000
Six months ended 30 June 2019 (Unaudited):			
Reportable segment revenue from the external customers	43,501	4,305	47,806
Reportable segment profit/(loss)	3,412	(20,223)	(16,811)
Six months ended 30 June 2018 (Unaudited):			
Reportable segment revenue from the external customers	51,829	6,958	58,787
Reportable segment profit/(loss)	2,527	(3,406)	(879)



6. REVENUE AND SEGMENT INFORMATION (continued)**(b) Reconciliations of reportable segment revenue and profit or loss**

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit or loss		
Reportable segment loss	(16,811)	(879)
Unallocated other income	462	2,273
Unallocated head office and corporate expenses	(172,475)	(71,480)
Consolidated loss after taxation	(188,824)	(70,086)

Disaggregation of revenue from contracts with customers:

Segments	For the six months ended 30 June 2019		
	Operation of gas stations	Manufacturing and sale of casual footwear, apparel and related accessories and others	Total
	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)
Geographical markets			
The PRC	43,501	4,305	47,806
Major products/services			
Shoes	-	4,305	4,305
Gas	43,501	-	43,501
Total	43,501	4,305	47,806
Timing of revenue recognition			
At a point in time	43,501	4,305	47,806

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

6. REVENUE AND SEGMENT INFORMATION *(continued)*

(b) Reconciliations of reportable segment revenue and profit or loss *(continued)*

Segments	For the six months ended 30 June 2018		
	Operation of gas stations RMB'000 (Unaudited)	Manufacturing and sale of casual footwear, apparel and related accessories and others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Geographical markets			
The PRC	51,829	6,958	58,787
Major products/services			
Shoes	–	6,958	6,958
Gas	51,829	–	51,829
Total	51,829	6,958	58,787
Timing of revenue recognition			
At a point in time	51,829	6,958	58,787

7. FINANCE COSTS

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Interest on bank loans and overdraft	3,534	1,197
Interest on debentures	28,172	31,578
Interest on convertible bonds	48,723	20,732
	80,429	53,507



8. INCOME TAX

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
– PRC Enterprise Income Tax for the period	1,273	855

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 (2018: 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.

9. 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	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	39,741	53,352
Depreciation of property, plant and equipment	1,865	3,680
Depreciation of right-of-use assets	52	52
Gain on early redemption of debenture	–	(947)
Reversal of impairment of trade receivables	–	(3,945)
Reversal of impairment of inventories	–	(1,202)
Short term lease payment	339	2,599
Reversal of impairment of other receivables	(1,371)	–
Loss on fair value changes on modification of debentures	89,332	–
Directors' emoluments	897	765
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	8,472	7,274
Retirement benefits scheme contributions	18	119
	8,490	7,393

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

10. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

11. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB188,824,000 (2018: approximately RMB70,086,000) and the weighted average of 1,704,942,000 ordinary shares (2018: 1,606,498,000) in issue during the period.

(b) Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive during the both periods.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, there is no addition in property, plant and equipment (2018: Nil).



13. TRADE AND OTHER RECEIVABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables	331,965	330,444
Less: allowance for trade receivables	(308,695)	(308,695)
	23,270	21,749
Deposits, prepayments and other receivables	146,936	138,432
	170,206	160,181

Included in deposits, prepayments and other receivables are mainly (i) advances to suppliers for purchases of raw materials and finished goods amounting to approximately RMB10,129,000 net of impairment provision of approximately RMB247,940,000 (as at 31 December 2018: approximately RMB7,760,000 net of impairment provision of approximately RMB249,311,000); (ii) other loans receivable of approximately RMB114,129,000 (as at 31 December 2018: approximately RMB114,129,000) to independent third parties with effective interest rate of 0% to 8% per annum and (iii) other receivables amounting to approximately RMB22,678,000 net of impairment provision of approximately RMB697,000 (as at 31 December 2018: approximately RMB16,543,000 net of impairment provision of approximately RMB81,053,000).

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, net of allowance for trade receivables, presented based on the invoice date at the end of the reporting period.

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 90 days	13,943	7,827
91 – 180 days	1,515	7,143
181 – 360 days	1,033	5,135
Over 360 days	6,779	1,644
	23,270	21,749

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

14. TRADE AND OTHER PAYABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade payables	31,210	35,964
Contract liabilities	3,641	4,944
Other payables and accruals	92,704	65,764
	127,555	106,672

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 2 months	5,182	5,002
More than 2 months but within 3 months	328	200
More than 3 months but within 12 months	17,656	21,462
More than 12 months	8,044	9,300
	31,210	35,964



15. SHARE CAPITAL

		Number of share	Amount		
			HK\$'000		
Authorised:					
Ordinary shares of HK\$0.10 each					
At 1 January 2018, 31 December 2018,					
1 January 2019 and 30 June 2019					
		10,000,000,000	1,000,000		
	Notes	For the six months ended 30 June 2019	Year ended 31 December 2018		
		Number of share	Amount HK\$'000 (Unaudited)	Number of share	Amount HK\$'000 (Audited)
Issued and fully paid:					
Ordinary shares of HK\$0.10 each at the beginning of the period/year					
		1,606,498,422	160,650	1,606,498,422	160,650
Issue of shares	(a)	77,335,826	7,734	-	-
Issue of shares	(b)	243,000,000	24,300	-	-
At the end of the period/year		1,926,834,248	192,683	1,606,498,422	160,650
Equivalent to (RMB,000)			158,224		130,258

Notes:

- (a) On 11 March 2019, the Company entered into a subscription agreement with a subscriber pursuant to which the subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 77,335,826 subscription shares at the subscription price of HK\$0.2565 per subscription share. The subscription was completed on 26 March 2019 and the premium on the issue of shares, amounting to approximately HK\$11,903,000 (equivalent to approximately RMB10,177,000) net of share issue expenses of approximately HK\$200,000 (equivalent to approximately RMB171,000), was credited to the Company's share premium account.
- (b) On 23 May 2019, the Company entered into the subscription agreements with the subscribers pursuant to which the subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 243,000,000 subscription shares at the subscription price of HK\$0.2 per subscription share. The subscription was completed on 13 June 2019 and the premium on the issue of shares, amounting to approximately HK\$24,100,000 (equivalent to approximately RMB21,178,000), net of share issue expenses of approximately HK\$200,000 (equivalent to approximately RMB176,000), was credited to the Company's share premium account.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

16. 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	
	2019	2018
Outstanding at the beginning of the period	147,000,000	147,500,000
Lapsed during the period	–	(500,000)
Outstanding at the end of the period	147,000,000	147,000,000

The share options outstanding as at 30 June 2019 include (i) 11,000,000 options brought down from 2015 with an exercise price of HKD0.72 and a weighted average remaining contractual life of 5.29 years; and (ii) 136,000,000 options granted during the year ended 31 December 2016 with an exercise price of HKD0.46 and a weighted average remaining contractual life of 6.83 years.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

17. CONTINGENT LIABILITIES

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities (2018: Nil).

18. CAPITAL COMMITMENTS

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Property, plant and equipment Contracted but not provided for	45,040	45,040

19. 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 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Rental expenses paid to Cai Xiu Man	59	59

- (b) During the year ended 31 December 2009, UK Greiff (beneficially owned by Ms. Cai Xiu Man) 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 2019

19. 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 9.

20. EVENTS AFTER THE REPORTING PERIOD

On or about 20 June 2019, the Company received a petition (the "Petition") from Mo Rong (the "Petitioner") in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, Laws of Hong Kong) filed in the High Court of The Hong Kong Special Administrative Region (the "High Court") under Companies Winding-up Proceedings No. 183 of 2019 that the Company may be wound up by the High Court on the ground that the Company is insolvent and unable to pay its debt. With reference to the announcement dated 11 September 2019, the Court ordered that the Petition be adjourned to 9 October 2019 for another hearing. The Company will endeavor to reach settlement. Further, the Company is in the process of preparing the documents for applying for validation order in respect of transfer of shares in the Company and target to submit such application by the end of September 2019.

21. APPROVAL OF FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 29 August 2019.

