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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)

AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS OF THE AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

- Revenue decreased by 36.4% from approximately RMB103.5 million for the year ended 31 December 2018 to approximately RMB65.8 million for the year ended 31 December 2019.

- Gross profit decreased by 17.3% from approximately RMB15.0 million for the year ended 31 December 2018 to approximately RMB12.4 million for the year ended 31 December 2019, while gross profit margin increased from 14.5% to 18.8%.

- Loss attributable to owners of the Company amounted to approximately RMB886.5 million for the year ended 31 December 2019, as compared to a loss of approximately RMB260.5 million for the corresponding period of 2018.

- Loss per share increased from RMB0.16 per share for the year ended 31 December 2018 to loss per share of RMB0.49 for the year ended 31 December 2019.

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2019.

The Board would like to announce the audited annual results of the Group for the year ended 31 December 2019 together with the comparative figures for 2018.

References are made to (i) the announcement of the Company dated 31 March 2020 in relation to the unaudited results for the year ended 31 December 2019 (the "Unaudited Results Announcement"); and (ii) the announcements of the Company dated 31 March 2020, 15 May 2020, 2 June 2020, 30 June 2020, 8 July 2020, 31 July 2020, 5 August 2020, 31 August 2020, 30 September 2020, 6 November 2020, 30 November 2020, 31 December 2020, 29 January 2021, 31 March 2021, 1 April 2021, 7 April 2021, 30 April 2021, 31 May 2021, 2 June 2021, 18 June 2021, 2 July 2021, 31 August 2021, 30 September 2021, 29 October 2021, 30 November 2021, 31 January 2022, 22 February 2022, 4 March 2022, 12 April 2022 and 1 June 2022 in respect the delay in the publication of the audited final results for the year ended 31 December 2019 and despatch of annual report of the year ended 31 December 2019.

The Board is pleased to announce that the Company's auditor, Elite Partners CPA Limited, has completed their audit of the consolidated financial statements of the Group for the year ended 31 December 2019 in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

MATERIAL DIFFERENCES BETWEEN THE ANNUAL RESULTS IN THE UNAUDITED RESULTS ANNOUNCEMENT AND THE ANNUAL RESULTS IN THIS ANNOUNCEMENT

Taking into account that the financial information contained in the Unaudited Results Announcement has not been audited and has not been agreed with the Company's auditor as at the date of its publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to the material differences between the annual results set out in the Unaudited Results Announcement and the annual results disclosed in this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

(Expressed in Renminbi)

	Notes	2019 RMB'000	2018 RMB'000
Revenue	*5*	**65,786**	103,474
Cost of sales		**(53,425)**	(88,498)
Gross profit		**12,361**	14,976
Other (losses) and gains, net	*6*	**(69,064)**	6,075
Loss on deconsolidation of subsidiaries		**(145,896)**	–
Impairment losses, net of reversal		**(428,961)**	(98,853)
Distribution and selling expenses		**(3,048)**	(4,887)
Administrative expenses		**(42,171)**	(44,804)
Loss from operation		**(676,779)**	(127,493)
Finance costs	*8*	**(207,664)**	(130,237)
Loss before tax		**(884,443)**	(257,730)
Income tax	*9*	**(2,061)**	(2,737)
Loss for the year	*10*	**(886,504)**	(260,467)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

(Expressed in Renminbi)

	Notes	**2019** *RMB'000*	2018 *RMB'000*
Loss for the year		**(886,504)**	(260,467)
Other comprehensive loss:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(20,405)**	(52,647)
Total comprehensive loss for the year		**(906,909)**	(313,114)
Loss for the year attributable to:			
Owners of the Company		**(886,504)**	(260,467)
Non-controlling interests		**–**	–
		(886,504)	(260,467)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(906,909)**	(313,114)
Non-controlling interests		**–**	–
		(906,909)	(313,114)
Loss per share			
Basic and diluted *(RMB)*	*11*	**(0.49)**	(0.16)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

(Expressed in Renminbi)

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment		**4,304**	144,363
Right-of-use assets		**481**	–
Prepaid land lease payments		**–**	4,883
Investments at fair value through profit or loss		**–**	40,000
Investment deposit		**43,421**	–
Goodwill		**23,300**	47,568
		71,506	236,814
Current assets			
Inventories		**73**	5,278
Trade and other receivables	*12*	**44,082**	160,181
Prepaid land lease payments		**–**	105
Amounts due from directors		**38,473**	82,876
Cash and bank balances		**45,578**	596,151
		128,206	844,591
Current liabilities			
Trade and other payables	*13*	**46,205**	106,672
Tax payables		**554**	14,789
Amount due to a director		**–**	4,666
Lease liabilities		**240**	–
Borrowings		**18,227**	86,292
Debentures		**162,849**	76,773
Convertible bonds		**533,422**	387,865
		761,497	677,057

	Notes	**2019**	2018
		RMB'000	*RMB'000*
Net current (liabilities)/assets		**(633,291)**	167,534
Total assets less current liabilities		**(561,785)**	404,348
Non-current liabilities			
Lease liabilities		**231**	–
Debentures		**839,796**	963,004
		840,027	963,004
NET LIABILITIES		**(1,401,812)**	(558,656)
Capital and reserves			
Share capital		**158,995**	130,258
Reserves		**(1,560,807)**	(686,556)
Equity attributable to owners of the Company		**(1,401,812)**	(556,298)
Non-controlling interests		**–**	(2,358)
TOTAL DEFICIT		**(1,401,812)**	(558,656)

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 Suite 2703, 27/F., Shui On Centre, Nos 6-8 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

2. DISCONSOLATION OF SUBSIDIARIES OF THE GROUP

At the adjourned hearing of the Winding-up Petition on 27 May 2020, the Quanzhou Intermediate People's Court in People's Republic of China ordered among other things that the Company's wholly-owned subsidiary, Fujian Jinmaiwang Shoes and Garments Products Co., Ltd ("FJSGP"), be wound up and designated Fujian Shangmin Law Firm* as the bankruptcy administrator of FJSGP (the "Bankruptcy Administrator").

The books and records of FJSGP Group were kept and maintained by the Bankruptcy Manager, which were not made available to the Group's management after 27 May 2020. The directors of the Company has been unable to access the books and records of the FJSGP Group. The Company had the management account of each company within FJSGP Group for the year ended 31 December 2019 and 2020 only but unable to obtain and access the books and records of the FJSGP Group.

On 18 May 2018, the Intermediate People's Court of Xuzhou City, Jiangsu Province (the "Jiangsu Province Court") accepted the filing of statements of claim (the "Statement of Claim") by China Huarong Asset Management Co., Ltd. ("Huarong Asset Management") against the Company and two indirect wholly-owned subsidiaries of the Company, namely, FJSGP and Jiangsu Active Industrial Shoes Co., Ltd. ("Jiangsu Active") for breach of loan agreements due to default in repayments of loans (the "Loans") (collectively, the "Legal Proceedings").

On 25 May 2018, the Company received the enforcement notice from the Jiangsu Province Court in relation the compulsory enforcement action against above claims. According to the enforcement notice, the Jiangsu Province Court ordered that (i) the bank deposits of the Company, FJSGP, Jiangsu Active and directors of the companies in the amount of RMB17,500,000 be frozen and appropriated; (ii) in the case of insufficient funds in these bank accounts, the assets of the Company, FJSGP and Jiangsu Active be sealed up. distrained, auctioned or sold.

As the Company, FJSGP and Jiangsu Active failed to comply with its repayment obligations such enforcement notices, on 18 October 2018, the Jiangsu Province Court sealed up the properties and right-of-use assets of Jiangsu Active. On 2 November 2018, the Jiangsu Province Court confirmed that Jiangsu Active has no other assets other than the sealed up properties and right-of-use assets. On 25 February 2019 and 30 June 2019, the properties and right-of-use assets had been put for action on Taobao auction with a reserve price of RMB27,450,000. As the properties and right-of-use assets had not been successfully bid, and the method of expiating debts in kind was not adopted by Huarong Asset Management, the properties and right-of-use assets were returned to Jiangsu Active by the court on 25 October 2019 and Huarong Asset Management is entitled to any assets of Jiangsu Active, if those assets were recognised.

As Jiangsu Province Court sealed up properties and right-of-use assets during 2018 and 2019, all staff of Jiangsu Active resigned and Jiangsu Active ceased operation since then. The Company had requested Mr. Zhang Wenbin ("Mr. Zhang"), the legal representative of Jiangsu Active and a former executive director of the Company who resigned on 8 April 2022, to submit the books and records of Jiangsu Active to the Company. However, despite repeated requests by the Company, Mr. Zhang submitted the management account of Jiangsu Active for the year ended 31 December 2019 and 2020 only but the relevant supporting documents and the company seal could not be provided.

The management further considered the influence of Mr. Zhang and Ms. Cai Xiumen ("Ms. Cai") over the subsidiaries incorporated in Fujian Provence. The directors of the Company decided to deconsolidate Luotuo (Quanzhou) Shoes and Garments Products Co., Ltd. ("Luotuo (Quanzhou)"), a company of which Mr. Zhang was a director and Ms. Cai was the duty chairman, and Quanzhou Jialong Shoes Industry Co., Ltd. ("Quanzhou Jialong"), a company of which Ms. Zhang Pingping, a daughter of Mr. Zhang and Ms. Cai, is the legal representative and the sole director.

The directors of the Company considered Luotuo (Quanzhou) and Quanzhou Jialong were unable to obtain a complete set of books and records together with the supporting documents of Luotuo (Quanzhou) and Quanzhou Jialong. The directors of the Company considered that the Group had lost control over Luotuo (Quanzhou) and Quanzhou Jialong and in the absence of a complete set of books and records and the non-cooperation of Zhang's Family, Luotuo (Quanzhou) and Quanzhou Jialong had been deconsolidated from the consolidated financial statements of the Group as from 1 January 2019.

The directors of the Company were unable to obtain a complete set of books and records together with the supporting documents of FJSGP Group, Jiangsu Active, Luotuo (Quanzhou) and Quanzhou Jialong (collectively referred to as the "Deconsolidated Subsidiaries"). The directors of the Company considered that the Group had lost control over the Deconsolidated Subsidiaries and in the absence of complete sets of books and records, the Deconsolidated Subsidiaries had been deconsolidated from the consolidated financial statements of the Group as from 1 January 2019.

3. GOING CONCERN BASIS

The Group resulted in a loss attributable to owners of the Company of approximately RMB886,504,000 for the year ended 31 December 2019. As of that date, the Group had net current liabilities and net liabilities of approximately RMB633,291,000 and RMB1,401,812,000 respectively. As at 31 December 2019 the borrowings, debentures, and convertible bonds which should be repaid in the next 12 months amounted to approximately RMB18,227,000, RMB162,849,000 and RMB533,422,000, respectively, while its bank balances and cash amounted to approximately RMB45,578,000 only.

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

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

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to International Accounting Standard ("IAS") 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

IFRS 16 *Leases*

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 Leases ("IAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by accrued lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rate is 5.0% for the year ended 31 December 2019.

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

		Right-of-use assets *RMB'000*
Reclassified from prepaid land lease payments	*(Note)*	4,988

Note:

Upfront prepayment for leasehold lands in the PRC for own used properties were classified as prepaid lease payment as at 31 December 2018.

Upon application of IFRS 16, the current and non-current portion of prepaid lease payment amounting to RMB105,000 and RMB4,883,000 respectively were reclassified to right-of-use-assets.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 *RMB'000*	**Adjustments** *RMB'000*	**Carrying amounts under IFRS 16 at 1 January 2019** *RMB'000*
NON-CURRENT ASSETS			
Right-of-use assets	–	4,988	4,988
Prepaid land lease payments – non-current portion	4,883	(4,883)	–
CURRENT ASSET			
Prepaid land lease payments – current portion	105	(105)	–

5. REVENUE

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

	2019	2018
	RMB'000	*RMB'000*
Footwear, apparel and related accessories	**–**	8,788
Operation of gas station	**65,786**	94,686
	65,786	103,474

Disaggregation of revenue from contracts with customers:

	For the year ended 31 December 2019		
Segments	**Operation of gas stations**	**Manufacturing and sale of casual footwear, apparel and related accessories**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Geographical markets			
The PRC	**65,786**	**–**	**65,786**
Major products/services			
Shoes	**–**	**–**	**–**
Gas	**65,786**	**–**	**65,786**
Total	**65,786**	**–**	**65,786**
Timing of revenue recognition			
At a point in time	**65,786**	**–**	**65,786**

	For the year ended 31 December 2018		
Segments	Operation of gas stations *RMB'000*	Manufacturing and sale of casual footwear, apparel and related accessories *RMB'000*	Total *RMB'000*
Geographical markets			
The PRC	94,686	8,788	103,474
Major products/services			
Shoes	–	8,788	8,788
Gas	94,686	–	94,686
Total	94,686	8,788	103,474
Timing of revenue recognition			
At a point in time	94,686	8,788	103,474

6. OTHER (LOSSES) AND GAINS, NET

	2019 *RMB'000*	2018 *RMB'000*
Interest income on bank deposits	**150**	864
Interest income from other loan receivables	**3,669**	4,203
(Loss)/gain on early redemption of debentures	**(73,474)**	1,023
Gain/(loss) on disposals of property, plant and equipment	**591**	(39)
Sundry income	**–**	24
	(69,064)	6,075

7. SEGMENT INFORMATION

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

The accounting policies of the operating segments are the same as those in the consolidated financial statements. Segment profits or losses do not include unallocated corporate income and expenses.

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

	Operation of gas station	**Manufacturing and sale of causal footwear, apparel and related accessories and others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2019:			
Reportable segment revenue	**65,786**	**–**	**65,786**
Reportable segment profit	**11,568**	**–**	**11,568**
Other material non-cash items:			
Impairment loss of trade and other receivables	**30,451**	**–**	**30,451**
Impairment loss of goodwill	**24,268**	**–**	**24,268**
Year ended 31 December 2018:			
Reportable segment revenue	94,686	8,788	103,474
Reportable segment profit/(loss)	7,987	(111,291)	(103,304)
Other material non-cash items:			
Impairment loss of trade and other receivables	–	84,512	84,512
Impairment loss of inventories	–	8,534	8,534
Impairment loss of property, plant and equipment	–	5,807	5,807

Reconciliations of reportable segment revenue and profit or loss:

	2019	2018
	RMB'000	*RMB'000*
Revenue:		
Reportable segment revenue	**65,786**	103,474
Loss:		
Reportable segment profit/(loss)	**11,568**	(103,304)
Reportable segment profit/(loss) derived from the Group's external customers	**11,568**	(103,304)
Other (losses) and gains, net	**(69,064)**	3,987
Unallocated head office and corporate expenses	**(308,870)**	(161,150)
Impairment loss on amounts due from deconsolidated subsidiaries	**(374,242)**	–
Loss on deconsolidation of subsidiaries	**(145,896)**	–
Consolidated loss for the year	**(886,504)**	(260,467)

8. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest expenses on		
– Interests on bank loans	**1,458**	6,575
– Interests on debentures	**61,642**	65,258
– Interests on convertible bonds	**144,564**	58,404
	207,664	130,237

9. INCOME TAX

	2019	2018
	RMB'000	*RMB'000*
Current tax:		
– PRC Enterprise Income Tax for the year	**2,056**	2,737
– PRC Enterprise Income Tax under-provision in the prior year	**5**	–
	2,061	2,737

No provision for Hong Kong Profits Tax is required since the Group did not generate any assessable profits in Hong Kong during the year (2018: RMB Nil).

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

At the end of the reporting period, the Group has unused tax losses of approximately RMB265,417,000 (2018: RMB186,022,000) available for offset against future assessable profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

10. LOSS FOR THE YEAR

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

	2019	2018
	RMB'000	*RMB'000*
Auditor's remuneration	**1,235**	1,200
Cost of inventories sold	**53,425**	88,498
Depreciation	**1,185**	5,264
Amortisation of prepaid land lease payments	**–**	105
Amortisation of right-of-use assets	**21**	–
Loss on disposal of property, plant and equipment	**(591)**	39
Minimum lease payments under operating leases in respect of office premises	**5,331**	5,239
Impairment loss/(reversal of impairment) of other receivables	**30,016**	(80)
Impairment loss of inventories	**–**	8,534
Loss on deregistration of a subsidiary	**56**	13
Staff costs (including directors' remuneration):		
Salaries, bonuses and allowances	**5,172**	21,388
Contributions to defined contribution retirement schemes	**32**	82
Legal and professional fees	**22,717**	–

11. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB886,504,000 (2018: RMB260,467,000) and the weighted average of approximately 1,817,678,000 (2018: 1,606,498,000) ordinary shares in issue during the year.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2018 and 2019.

12. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**7,806**	330,444
Less: allowance for trade receivables	**(435)**	(308,695)
	7,371	21,749
Loan receivables	**46,700**	114,129
Deposit, prepayments and other receivables	**20,027**	354,667
Less: allowance for credit loss	**(30,016)**	(330,364)
	44,082	160,181

The following is an aging analysis of trade receivables, net of allowance for trade receivables, presented based on the invoice date at the end of the reporting period.

	2019	2018
	RMB'000	*RMB'000*
Within 90 days	**7,371**	7,827
91 days – 180 days	**–**	7,143
181 days – 360 days	**–**	5,135
Over 360 days	**–**	1,644
	7,371	21,749

13. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**1,115**	35,964
Contract liabilities	**195**	4,944
Provision for legal claims	**22,717**	–
Other payables and accruals	**22,178**	65,764
	46,205	106,672

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

	2019	2018
	RMB'000	*RMB'000*
Within 2 months	**1,115**	5,002
More than 2 months but within 3 months	**–**	200
More than 3 months but within 12 months	**–**	21,462
More than 12 months	**–**	9,300
	1,115	35,964

14. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: RMB Nil).

AUDIT OPINION

The auditor of the Company will issue a modified opinion on the consolidated financial statements of the Group for the year ended 31 December 2019. An extract of the auditor's report is set out in the section headed "Extract of report of the auditor" below.

EXTRACT OF REPORT OF THE AUDITOR

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2019.

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Sino Energy International Holdings Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

(i) Opening balances and comparative figures

The comparative figures disclosed in the consolidated financial statements are based on the audited consolidated financial statements of the Group for the year ended 31 December 2018, which was audited by ZHONGHUI ANDA CPA Limited.

Due to the loss of some books and records, the directors of the Company believe that it is almost impossible, and not practicable, to verify the financial information as reported in the consolidated financial statements of the Group for past years. We have therefore been unable to carry out satisfactory audit procedures to obtain reasonable assurance regarding the completeness, accuracy, existence, valuation, classification, and disclosure of the transactions of the Group in respect of the opening balances and comparative figures.

Given these circumstances, there were no practicable audit procedures that we could perform to satisfy ourselves that the information, explanations and documents presented to us for the purpose of our audit are complete and accurate in all material respects, nor to quantify the extent of any adjustments that might be necessary in respect of the Group's financial information.

As a result, in performing our audit on the opening balances of the consolidated financial statements of the Group for the year ended 31 December 2019, there were no practicable audit procedures that we could perform to satisfy ourselves that whether the balances of assets, liabilities, and reserves as at 1 January 2019 were fairy stated.

Any adjustments found to be necessary in respect thereof had we been able to obtain sufficient appropriate audit evidence would have had a consequential effect on the net liabilities of the Group as at 1 January 2019 and loss for the prior years, and the related disclosures thereof in the consolidated financial statements.

(ii) Material uncertainty related to going concern

As disclosed in note 2 to the consolidated financial statements, the Group resulted in a loss attributable to owners of the Company of approximately RMB886,504,000 for the year ended 31 December 2019. As of that date, the Group had net current liabilities and net liabilities of approximately RMB633,291,000 and RMB1,401,812,000 respectively. As at 31 December 2019 the borrowings, debentures, and convertible bonds which should be repaid in the next 12 months amounted to approximately RMB18,227,000, RMB162,849,000 and RMB533,422,000, respectively, while its bank balances and cash amounted to approximately RMB45,578,000 only.

In addition, the Group defaulted on the repayment of certain borrowings, debentures and convertibles bonds on their respective due dates during the year ended 31 December 2019. Those creditors, including banks, had taken legal actions against the Group to recover the debts.

These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. Therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company have been undertaking measures to improve the Group's liquidity and financial position. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to uncertainties. Should the Group fail to achieve the measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values 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 non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

(iii) Deconsolidation of Jiangsu Active Industrial Shoes Co., Ltd. ("Jiangsu Active")

On 18 May 2018, the Intermediate People's Court of Xuzhou City, Jiangsu Province (the "Jiangsu Province Court") accepted the filing of statements of the claim by China Huarong Asset Management Co., Ltd. against the Company and two wholly-owned subsidiaries of the Company, namely FJSGP and Jiangsu Active for breach of loan agreements due to default in repayments of loans. On 18 October 2018, the Jiangsu Province Court sealed up the properties and right-of-use assets of Jiangsu Active and subsequently returned them to Jiangsu Active on 25 October 2019.

As Jiangsu Province Court sealed up properties and right-of-use assets during 2018 and 2019, all staff of Jiangsu Active resigned and had Jiangsu Active ceased operation since then. The Company had requested Mr. Zhang Wenbin ("Mr. Zhang"), the legal representative of Jiangsu Active and a former executive director of the Company who resigned on 8 April 2022, to submit the books and records of Jiangsu Active to the Company. However, despite repeated requests by the Company, Mr. Zhang submitted the management account of Jiangsu Active for the year ended 31 December 2019 and 2020 only but the relevant supporting documents and the company seal was not provided.

The directors of the Company were unable to obtain a complete set of books and records together with the supporting documents of Jiangsu Active. The directors of the Company considered that the Group had lost control over Jiangsu Active and in the absence of a complete set of books and records and the non-cooperation of the management, Jiangsu Active had been deconsolidated from the consolidated financial statements of the Group as from 1 January 2019.

However, we were unable to obtain sufficient audit evidence to ascertain whether the deconsolidation of Jiangsu Active complied with the requirements of International Financial Reporting Standard ("IFRS")10 "Consolidated Financial Statements". Had Jiangsu Active been consolidated up to the date when the control over Jiangsu Active was lost, elements in the consolidated financial statements would have been materially affected.

(iv) Deconsolidation of Fujian Jinmaiwang Shoes and Garments Products Co., Ltd. ("FJSGP") and its subsidiaries, collectively, the ("FJSGP Group")

On 27 May 2020, the Intermediate People's Court of Quanzhou City, Fujian Province, the People's Republic of China ("PRC") ordered, among other things, that the Company's indirect wholly-owned subsidiary, FJSGP, be wound up and designated Fujian Shangmin Law Firm as the bankruptcy manager of FJSGP (the "Bankruptcy Manager").

The books and records of FJSGP Group were kept and maintained by the Bankruptcy Manager, which was not made available to the Group's management after 27 May 2020. The directors of the Company have been unable to access the books and records of the FJSGP Group. The Company had the management account of each company within FJSGP Group for the year ended 31 December 2019 and 2020 only but was unable to obtain and access the books and records of the FJSGP Group.

The directors of the Company were unable to obtain a complete set of books and records together with the supporting documents of FJSGP Group. The directors of the Company considered that the Group had lost control over FJSGP Group and in the absence of a complete set of books and records, FJSGP Group had been deconsolidated from the consolidated financial statements of the Group as from 1 January 2019.

However, we were unable to obtain sufficient audit evidence to ascertain whether the deconsolidation of FJSGP Group complied with the requirements of IFRS 10 "Consolidated Financial Statements". Had the FJSGP Group been consolidated up to the date when the control over the FJSGP Group was lost, elements in the consolidated financial statements would have been materially affected.

(v) Deconsolidation of Luotuo (Quanzhou) Shoes and Garments Products Co., Ltd. ("Luotuo (Quanzhou)") and Quanzhou Jialong Shoes Industry Co., Ltd. ("Quanzhou Jialong")

The directors of the Company considered the influence of Mr. Zhang and Ms. Cai Xiumen ("Ms. Cai"), a former director of the Company who resigned on 8 April 2022, over the subsidiaries incorporated in Fujian Provence. Mr. Zhang was a director and Ms. Cai was the duty chairman of Luotuo (Quanzhou), and Ms. Zhang Pingping (Ms. Zhang), a daughter of Mr. Zhang and Ms. Cai, is the legal representative and the sole director of Quanzhou Jialong.

The directors of the Company considered Luotuo (Quanzhou) and Quanzhou Jialong highly relied on the financial support from Mr. Zhang and Mr. Zhang, Ms. Cai and Ms. Zhang (collectively referred to as "Zhang's Family") have control over these two subsidiaries. The Company had the management accounts of Luotuo (Quanzhou) and Quanzhou Jialong for the year ended 31 December 2019 and 2020 only but the relevant supporting documents were not provided by Zhang's Family.

The directors of the Company were unable to obtain a complete set of books and records together with the supporting documents of Luotuo (Quanzhou) and Quanzhou Jialong. The directors of the Company considered that the Group had lost control over Luotuo (Quanzhou) and Quanzhou Jialong and in the absence of a complete set of books and records and the non-cooperation of Zhang's Family, Luotuo (Quanzhou) and Quanzhou Jialong had been deconsolidated from the consolidated financial statements of the Group as from 1 January 2019.

However, we were unable to obtain sufficient audit evidence to ascertain whether the deconsolidation of Luotuo (Quanzhou) and Quanzhou Jialong complied with the requirements of International Financial Reporting Standard ("IFRS")10 "Consolidated Financial Statements". Had Luotuo (Quanzhou) and Quanzhou Jialong been consolidated up to the date when the control over Luotuo (Quanzhou) and Quanzhou Jialong were lost, elements in the consolidated financial statements would have been materially affected.

(vi) Loss on deconsolidation of Deconsolidated Subsidiaries

As a result of the circumstances described in paragraphes (iii), (iv) and (v) above, the deconsolidation of the FJSGP Group, Jiangsu Active, Luotuo (Quanzhou), and Quanzhou Jiolong (collectively the "Deconsolidated Subsidiaries") resulted in a loss on deconsolidation of Deconsolidated Subsidiaries of approximately RMB145,896,000.

We have not been provided with sufficient information on the deconsolidation of the Deconsolidated Subsidiaries and there were no alternative audit procedures that we could perform to satisfy ourselves as to whether it was appropriate to deconsolidate the assets and liabilities of the Deconsolidated Subsidiaries and cease recording its results of operations from the consolidated financial statements during the year ended 31 December 2019. In addition to the above, and due to the unavailability of a complete set of books and records and the lack of information on the assets and liabilities of the Deconsolidated Subsidiaries, we were unable to obtain sufficient appropriate audit evidence to determine whether the loss on deconsolidation of the Deconsolidated Subsidiaries of approximately RMB145,896,000 was free from material misstatement.

Any adjustments that would be required may have a consequential effect on the consolidated statement of financial position of the Group as at 31 December 2019 and the consolidated financial performance and consolidated cash flow of the Group for the year then ended and related disclosures thereof in the consolidated financial statements.

(vii) Impairment loss on amounts due from the Deconsolidated Subsidiairies

As a result of the circumstances described in paragraphs (iii), (iv) and (v) above, the Group recognised an impairment loss on amounts due from the Deconsolidated Subsidiaries of approximately RMB428,961,000.

We have not been provided with sufficient information on the Deconsolidated Subsidiaries and there were no alternative audit procedures that we could perform to satisfy ourselves as to whether it was appropriate to deconsolidate the assets and liabilities of the Deconsolidated Subsidiaries and cease recording the results of operations from the consolidated financial statements during the year ended 31 December 2019. In addition to the above, and due to the unavailability of a complete set of books and records and the lack of information on the assets and liabilities of the Deconsolidated Subsidiaries, we were unable to obtain sufficient appropriate audit evidence to determine whether the impairment loss on amounts due from the Deconsolidated Subsidiaries of approximately RMB428,961,000 was free from material misstatement.

Any adjustments that would be required may have a consequential effect on the consolidated statement of financial position of the Group as at 31 December 2019 and the consolidated financial performance and consolidated cash flow of the Group for the year then ended and related disclosures thereof in the consolidated financial statements.

(viii) Impairment assessment and depreciation of property, plant and equipment and right-of-use assets

An impairment assessment was carried out by the directors of the Company on the property, plant and equipment, and right-of-use assets in respect of the cash-generating unit for the operation of gas station segment. The assessment resulted in the recoverable amount of property, plant and equipment, and right-of-use assets exceeding their carrying amount, and no impairment on property, plant and equipment, and right-of-use assets was considered necessary.

However, we are unable to obtain sufficient appropriate audit evidence we consider necessary to satisfy ourselves as to whether the impairment assessment on property, plant and equipment and right-of-use assets (which was reclassified from prepaid land lease payments upon adoption of the International Financial Reporting Standard 16 Leases on 1 January 2019) as at 1 January 2019 of approximately RMB144,363,000 and RMB4,988,000, respectively and as at 31 December 2019 of approximately RMB4,407,000 and RMB481,000, respectively, were free from material misstatements and hence whether the no impairment loss on property, plant and equipment, and right-of-use assets and depreciation of property, plant and equipment, and right-of-use assets, amounting to approximately RMB1,185,000 and RMB21,000, respectively, were free from material misstatement for the year ended 31 December 2019.

Any adjustment to the carrying amounts of property, plant and equipment, and right-of-use assets of the Group found to be necessary would affect the Group's net liabilities as at 31 December 2019 and 2018 and the Group's loss for the year then ended and related note disclosures to the consolidated financial statements.

(ix) Prepayments

Shangqiu Wuzhou New Energy Co., Ltd. ("Shangqiu Wuzhou"), an indirect wholly-owned subsidiary of the Company, had a prepayment of approximately RMB3,096,000 as at 31 December 2018 and 2019 for land acquisition compensation and social insurance fund, which were paid in prior years. We were unable to obtain sufficient evidence on the nature, completeness and accuracy of the amount paid as at 31 December 2019 and 2018. We have not received direct confirmation from the payee. We are also unable to ascertain the recoverability so as to determine the amount of impairment if any.

Any adjustments to the amount of the prepayments found to be necessary would affect the Group's net current liabilities and net liabilities as at 31 December 2019 and 2018, and the Group's loss for the year then ended and related note disclosures to the consolidated financial statements.

(x) Impairment on goodwill

The Group resulted in an operating loss in the operation of gas station segment during the year ended 31 December 2019. The Group performed an impairment assessment on the goodwill, which belonged to the cash-generating unit ("CGU") represented by the operation of the gas station segment. The carrying amount of the CGU exceeded its recoverable amount, resulting in an impairment loss on goodwill of approximately RMB24,268,000, being recognised in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2019. However, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the balances of goodwill as at 31 December 2019 and 2018 of approximately RMB23,300,000 and RMB47,568,000 respectively and the impairment loss on goodwill amounting to approximately RMB24,268,000 recognised for the year ended 31 December 2019 were free from material misstatement.

Any adjustments found to be necessary would affect the Group's net current liabilities and net liabilities as at 31 December 2019 and 2018 and the Group's loss for the year ended 31 December 2019 and related note disclosures to the consolidated financial statements.

(xi) Payment to a vendor in connection with the 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 RMB93,698,000) (the "Consideration"), which is determined regarding a valuation report by an independent valuer that valued the mining permit for a copper mine located in Guizhou, the PRC as at 31 July 2018 at approximately RMB158,019,000. 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. Partial payment of the Consolidation amounted to approximately RMB42,532,000 has been paid during the year ended 31 December 2019 as deposits for the acquisition (the "Deposit").

On 17 January 2022, the Company and the Vendor entered a termination agreement that the Vendor shall fully refund the Deposit to the Company under the Agreement. None of the parties shall have any claim against the others after that. Subsequent to the end of the reporting period, an amount of RMB10,000,000 was refunded from the Vendor.

We have not received direct confirmation from the Vendor to confirm the Deposit paid by the Group during the year ended 31 December 2019 and the outstanding balance as at 31 December 2019. We are also unable to determine the recoverability of the remaining portion of the Deposits amounting to RMB32,532,000 and have not been able to decide on the amount of impairment if any.

Any adjustments to the amount of the Deposit found to be necessary would affect the Group's net liabilities as at 31 December 2019 and the Group's loss for the year then ended and related note disclosures to the consolidated financial statements.

(xii) Inventories

As we were appointed as the auditor of the Company on 6 May 2022, which was subsequent to the year end of the Company and thus, we were unable to observe the physical counting and inspection of the Group's inventories at the beginning and end of the year. We could not satisfy ourselves by alternative means concerning the quantities and condition of such items appearing in the consolidated statement of financial position as at 31 December 2019 and 2018.

(xiii) Impairment loss of an amount due from a director

The Group recognised an impairment loss of an amount due from Ms. Cai of approximately RMB384,036,000 for the year ended 31 December 2019. However, we are unable to obtain sufficient appropriate audit evidence that we consider necessary to determine whether the impairment was necessary.

Any adjustments to the amount of the above receivable found to be necessary would affect the Group's net current liabilities, net liabilities and loss for the year as at 31 December 2019 and related note disclosures to the consolidated financial statements.

(xiv) Debentures

During the year ended 31 December 2019, the Group recorded interest on debentures of approximately RMB61,642,000. As at 31 December 2019, the Group had debentures with principal amount together with accrued interest of approximately RMB1,002,645,000 and prepaid certain debenture interests of approximately RMB197,000,000, which was paid by Greiff (Xiamen) International Trading Co., Ltd. ("Greiff (Xiamen)"), a direct wholly-owned subsidiary of FJSGP.

However, we were unable to obtain direct confirmations from certain debentures holders and supporting evidence that we consider necessary to satisfy ourselves whether the amount of debentures and prepaid debentures interest as at 31 December 2019 were fairly stated. There were no other alternative audit procedures we could carry out to determine whether the debentures interest of approximately RMB61,642,000 for the year ended 31 December 2019 and 2018 was fairly stated. There were no other alternative audit procedures we could adopt to obtain sufficient and appropriate audit evidence in this regard.

Any adjustment to debentures found to be necessary would affect the Group's net current liabilities and net liabilities as at 31 December 2019 and 2018 and the Group's loss for the year then ended and related note disclosures to the consolidated financial statements.

(xv) Convertible bonds

During the year ended 31 December 2019, the Group recorded interest on convertible bonds amounted to approximately RMB134,536,000 and as at 31 December 2019, the Group has convertible bonds payables with principal balances and accrued interests amounting to RMB310,485,000 and RMB212,909,000 respectively. However, we have not been provided with sufficient appropriate audit evidence by the management of the Company that we consider as necessary and to obtain direct confirmations from the convertible bonds holders and other supporting evidence in order to satisfy ourselves as to whether the convertible bonds balances as at 31 December 2019 and 2018 were fairly stated. There were no other alternative audit procedures that we could carry out to obtain sufficient and appropriate audit evidence in this regard.

Any adjustment to convertible bonds found to be necessary would affect the Group's net current liabilities and net liabilities as at 31 December 2019 and 2018 and the Group's loss for the year then ended and related note disclosures to the consolidated financial statements.

(xvi) Financial guarantee contract and contingent liabilities

As at 31 December 2019, Shangqiu Wuzhou granted financial guarantee to a related company, a company of which Mr. Chen Jianbao, a director of the Company, is also the director, for certain borrowings. The related company defaulted in repayment of the borrowings. Legal claim was filed against the related company, as the borrower, and Shangqiu Wuzhou, as the guarantor, in relation to the financial guarantee contracts. The Group recognised financial guarantee of approximately RMB26,178,000.

We were unable to obtain sufficient appropriate audit evidence that we consider necessary. There were no other alternative audit procedures that we could perform to assess the valuation, completeness and accuracy of the financial guarantee and to determine the amount of contingent liabilities and the accuracy and completeness of the disclosures in the Group's consolidated financial statements in respect of contingent liabilities, transactions and/or balances with related parties if any.

Any adjustments to the amount of the above contingent liabilities found to be necessary would affect the Group's net current liabilities, net liabilities and loss for the year as at 31 December 2019 and related note disclosures to the consolidated financial statements.

(xvii) The authenticity of the unauthorised payments

Mr Zhang also was the legal representative, executive director and general manager of Greiff (Xiamen), had procured Greiff Xiamen to effect payments approximately RMB325,578,000, which lack documentary supports and business justifications (the "Unauthorised Payment")

The directors of the Company established as independent committee, which had engaged as independent adviser to conduct an independent investigation. We are unable to obtain any explanations nor documents that we considered necessary to satisfy ourselves on the existence, valuation, completeness and accuracy of the information and documents related to the Unauthorised Payment for our audit. The existence, valuation, accuracy and completeness of the disclosures in the Group's consolidated financial statements in respect of contingent liabilities, transactions and/or balances with related parties, if any, in relation to the transactions, arrangements, and/or the relevant counterparties identified in the investigation.

(xviii) Cash and bank balances

The Group recorded cash and bank balances of approximately RMB45,578,000 and RMB596,151,000 as at 31 December 2019 and 2018 respectively.

However, during the course of our audit, we were unable to obtain direct confirmations from certain banks and other supporting evidence we consider necessary in order to satisfy ourselves as verify the bank balances and bank transactions as at 31 December 2019 and 2018 were fairly stated. There were no other alternative audit procedures that we could carry out to determine whether the cash and bank balances for the year ended 31 December 2019 and 2018 was fairly stated. There were no other alternative audit procedures that we could adopt to obtain sufficient and appropriate audit evidence in this regard.

Any adjustment to the above items found to be necessary would affect the Group's net current liabilities and net liabilities as at 31 December 2019 and 2018 and loss for the prior and current year, and the related disclosures thereof in the consolidated financial statements.

AUDIT COMMITTEE'S VIEW

The Group's consolidated financial statements for the year ended 31 December 2019 have been reviewed by the Audit Committee.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

Business Review

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

The retail market in China has suffered the impact of trade war between United States and China during 2019. During the year, through careful examination and review of the Group's store network, gross profit decreased by approximately 17.3% for the year ended 31 December 2019 as compared to gross profit for the year ended 31 December 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.

Strategic cooperation memorandum of understanding

On 12 December 2019, the Company and Australian National Digital Asset Exchange Pty Ltd ("Australian National Digital Asset Exchange") entered into a strategic cooperation memorandum of understanding (the "MOU"). Pursuant to the MOU, the Company and Australian National Digital Asset Exchange intend to cooperate in the development of crypto-asset issuance and transaction management, financial technology industry, blockchain, artificial intelligence, big data industry investment and new energy industry investment related projects.

To further strengthen the strategic cooperation between the Company and Australian National Digital Asset Exchange, the Company and Australian National Digital Asset Exchange entered into another strategic cooperation memorandum of understanding (the "Second MOU") on 23 January 2020. Pursuant to the Second MOU, the Company and Australian National Digital Asset Exchange intend to cooperate in the development of (i) the sale and operation of new energy vehicle business and (ii) digital banking industry related projects in the PRC and Australia respectively.

Australian National Digital Asset Exchange is a company incorporated in Australia and is principally engaged in the issuance of crypto asset transactions, provision of crypto asset management solutions, digital banking, financial technology industry investment, blockchain, artificial intelligence and investments in big data related industries, new energy industry and general aviation industry etc.

The Company's principal business is manufacturing and sales of casual footwear, apparel and related accessories in the PRC. The Company also engages in operating gas stations.

To diversify the business of the Group and to increase the Group's source of revenue, the Company has been seeking various development opportunities. The Board is optimistic for the prospects of industries related to crypto asset, financial technology, blockchain, artificial intelligence, big data, new energy, new energy vehicle in the PRC and digital banking in Australia. The Board is of the view that the MOU enables the Company the opportunities to develop the above industries by leveraging on Australian National Digital Asset Exchange's strength, resources and expertise to build a stable and mutually-beneficial strategic relationship for the development of the projects related to such industries. Further, with strong support from the Australian government and given that the new vehicle business and digital banking industry have been growing rapidly, the Board believes that the MOU and the Second MOU offer a good opportunity to the Group to diversify its business into the above industries and to broaden the Group's revenue base in the future.

FINANCIAL ANALYSIS

Revenue

The total revenue of the Group for the year ended 31 December 2019 was approximately RMB65.8 million, representing a decrease of approximately 36.4% as compared to that of 2018. The decrease in revenue was mainly as a result of the decline of revenue of gas stations 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 year ended 31 December 2019 was approximately RMB12.4 million, as compared with the gross profit of approximately RMB15.0 million for the year ended 31 December 2018. The gross profit margin of the Group for the year ended 31 December 2019 was approximately 18.8% (2018: 14.5%).

Distribution and Selling Expenses

The Group's distribution and selling expenses primarily consisted of advertising and promotional expenses, royalties for licensed brands, salaries for the sales and marketing staff, and other costs related to sales and distribution. Distribution and selling expenses was approximately RMB3.1 million, accounted for approximately 4.6% of revenue for the year ended 31 December 2019 (2018: approximately 4.7%). The distribution and selling expenses decreased from approximately RMB4.9 million for the year ended 31 December 2018 to approximately RMB3.1 million for the year ended 31 December 2019, primarily due to the tighten cost control during the year.

Administrative Expenses

Administrative expenses decreased by approximately RMB2.6 million to approximately RMB42.2 million for the year ended 31 December 2019 from approximately RMB44.8 million for the year ended 31 December 2018, which was mainly attributable to the deconsolidation of subsidiaries and the provisions for legal claims made during the year.

Other Losses or Gains, Net

The decrease in other losses or gains, net from a net gain of approximately RMB6.1 million for the year ended 31 December 2018 to a net loss of approximately RMB69.1 million for the year ended 31 December 2019 was mainly due to loss on early redemption of debentures of approximately 73.5 million incurred for the year ended 31 December 2019 (2018: a gain of approximately RMB1.0 million).

Finance Costs

Finance costs represented interest expenses on interest-bearing borrowings, debentures and convertible bonds. Interest expenses increased by approximately 59.5% from approximately RMB130.2 million for the year ended 31 December 2018 to approximately RMB207.7 million for the year ended 31 December 2019, primarily due to increase of interests on convertible bonds during the year.

Income Tax

Income tax recorded for the year ended 31 December 2019 mainly represented provision of PRC corporate income tax for approximately RMB2.1 million (2018: approximately RMB2.7 million).

Loss for the Year

Loss for the year was approximately RMB512.3 million, as compared to a loss of approximately RMB260.5 million during the corresponding period in 2018.

LIQUIDITY AND CAPITAL RESOURCES

In order to achieve better cost control and minimise the cost of funds, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in RMB. As at 31 December 2019, the Group had net current liabilities of approximately RMB252.5 million (31 December 2018: net current assets of approximately RMB167.5 million), of which bank and cash balances and pledged deposits were approximately RMB45.6 million (2018: approximately 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 approximately 140.0% as at 31 December 2018 to approximately 778% as at 31 December 2019.

The total bank borrowings decreased to approximately RMB• million (2018: approximately RMB86.3 million). The bank loans were repayable within one year. The Group's bank borrowings were denominated in RMB.

The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year ended 31 December 2019.

CAPITAL STRUCTURE

77,335,826 Shares and 243,000,000 Shares were issued and allotted for the subscription of new Shares on 29 March 2019 and 13 June 2019, respectively. Please refer to the paragraph headed "Subscriptions of new Shares under general mandate" for details.

Save as disclosed herein, during the year ended 31 December 2019, the Company did not issue new Shares. As at 31 December 2019, the total number of issued Shares was 1,926,834,248.

FOREIGN EXCHANGE RISK

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

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

PLEDGE OF ASSETS

As at 31 December 2019 and 2018, the Group secured its borrowings by a charge over its prepaid land.

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

Save as disclosed herein, there was no significant investment, material acquisitions and disposal of subsidiaries, associates and joint ventures by the Group during the year ended 31 December 2019.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

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

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no significant contingent liabilities (31 December 2018: RMB Nil).

EMPLOYEES AND EMOLUMENTS

As at 31 December 2019, the Group employed a total of 33 full-time employees in the PRC and Hong Kong, which included Directors, management staff, product designers, technicians, salespersons and workers. The Group's emolument policies are formulated based on the performance of individual employees, whose performance are reviewed and evaluated periodically. Apart from contributions to the provident fund scheme (operation in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) and social security fund (including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance for the PRC employees), discretionary bonuses are also awarded to employees according to individual performance. In addition, the Group adopted the share option scheme on 4 September 2011 for the purpose of providing incentives to Directors and eligible employees.

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.

The intended and actual use of proceeds from the First Subscription and the Second Subscriptions up to 31 December 2019 is set out as follows:

Fund raising activities	**Net proceeds raised** *(HK$ million)*	**Proposed use of proceeds**		**Actual use of proceeds up to 31 December 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 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 year.

EVENTS AFTER THE REPORTING PERIOD

On 23 January 2020, the Company and Australian National Digital Asset Exchange Pty Ltd ("Australian National Digital Asset Exchange") entered into another strategic cooperation memorandum of understanding (the "MOU"). Pursuant to the MOU, the Company and Australian National Digital Asset Exchange intend to cooperate in the development of (i) the sale and operation of new energy vehicle business and (ii) digital banking industry related projects in the PRC and Australia respectively.

Since the outbreak of pneumonia caused by the new coronavirus (the "COVID-19 Outbreak") in January 2020, the prevention and control of the pneumonia epidemic have been continuously carried out nationwide in the PRC.

The COVID-19 Outbreak in some provinces and cities, as well as the overall economy, caused certain influence, to some extent, which could affect the business of the Group. The extent of influence will depend on the situation of the epidemic prevention and control, duration and the implementation of the regulation policies.

The Group will continue to pay close attention to the development of the COVID-19 Outbreak, and evaluate and actively respond to its impact on the Company's financial position, operating results and other aspects. As of the date of this announcement, this assessment was still in progress.

On 2 March 2020, the Company, Central China International Investment Company Limited ("Central China"), Mr. Chen Jianbao and Ms. Song Lin entered into a supplemental agreement (the "Second Supplemental Agreement") pursuant to which the Company agreed with Central China to amend certain terms and conditions of the convertible bonds issued on 28 December 2016. The Second Supplemental Agreement was approved by the Shareholders at the extraordinary general meeting of the Company on 17 April 2020. Please refer to the announcements of the Company dated 2 March 2020 and 17 April 2020 and the circular of the Company dated 16 March 2020 for details.

Save as disclosed herein, there were no significant events after 31 December 2019 up to the date of this announcement.

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2019, the Company complied with all the code provisions of the Corporate Governance Code, except for the following deviation:

Code Provision F.2.2

The code provision F.2.2 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 his other business engagement.

MODEL CODE

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

Specific enquiries have been made with the Directors, and all Directors confirmed in writing that they have complied with the required standards set out in the Model Code regarding their securities transactions for the year ended 31 December 2019.

SCOPE OF WORK PERFORMED BY AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group's auditor, Elite Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. The work performed by Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Elite Partners CPA Limited on this announcement.

AUDIT COMMITTEE

The Audit Committee, comprising three of the independent non-executive Directors, has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2019 and discussed with the management of the Company the accounting principles and accounting standards adopted by the Group and matters relating to risk management and internal control systems and financial reporting of the Group.

FINAL DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019.

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

This announcement is published on the websites of the Company and the Stock Exchange. The Company's annual report for the year ended 31 December 2019 in accordance with the relevant requirements of the Listing Rules will be dispatched to the Shareholders and published on the websites of the Company and the Stock Exchange in due course.

DEFINITIONS

"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"Company"	Sino Energy International Holdings Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Corporate Governance Code"	Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"PRC" or "China"	the People's Republic of China, and for the purpose of this announcement, excludes Hong Kong, The Macao Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholders"	the shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent

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

Hong Kong, 30 June 2022

As at the date of this announcement, the executive Directors are Mr. Chen Jianbao, Mr. Wang Qingsan, Mr. Zhu Tianxiang, Mr. Kwong Yuk Lap and Mr. Ding Ming; and the independent non-executive Directors are Mr. Chen Jinzhong, Roy, Mr. Chai Chung Wai and Mr. Chong Cha Hwa.