



雲能國際

YUNNAN ENERGY INTERNATIONAL

Yunnan Energy International Co. Limited

雲能國際股份有限公司*

(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 1298)

(Singapore Stock Code: T43)

Interim Report **2019**

** for identification purpose only*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

ZHANG Jincan
(Chairman, Chief Executive Officer)
JIANG Wei
ZHAO Na
HE Junyu

Independent Non-executive Directors

SHI Fazhen
KE Kasheng
JING Pilin

AUDIT COMMITTEE

SHI Fazhen (Chairman)
KE Kasheng
JING Pilin

NOMINATION COMMITTEE

ZHANG Jincan (Chairman)
SHI Fazhen
KE Kasheng
JING Pilin

REMUNERATION COMMITTEE

SHI Fazhen (Chairman)
ZHANG Jincan
KE Kasheng
JING Pilin

COMPANY SECRETARY

NG King Hang

BERMUDA RESIDENT REPRESENTATIVE AND ASSISTANT SECRETARY

Estera Services (Bermuda) Ltd
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10 Bermuda
Bermuda Company Registration
Number 34778

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2008, 20/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

SINGAPORE SHARE TRANSFER AGENT

M & C Services Private Limited
112 Robinson Road
#05-01
Singapore 068902

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITORS

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

COMPANY WEBSITE

www.yeigi.com

MANAGEMENT DISCUSSION AND ANALYSIS

(I) BUSINESS REVIEW

PRC Distribution Business

Following the group reorganisation in 2018, the Group is principally engaged in the business of distribution and related repair and maintenance services for various branded analytical instruments and life science equipment principally in the People's Republic of China ("PRC"). The Group offers a broad range of scientific instruments including chromatographs, spectrophotometers, electronic microscopes, life science and general laboratory instruments, with specialised and customised hardware and software, to provide solutions and facilitate scientific analysis and testing for a variety of businesses and institutions, including universities, research institutions, companies in the industrial sector and government agencies. For the six months ended 30 June 2019 ("HY2019"), the revenue from the sales of goods decreased by 144.1 million or 50.6% to HK\$140.6 million from HK\$284.7 million for the six months ended 30 June 2018 ("HY2018"), mainly attributable to the drop in orders. Meanwhile, the revenue from the repair and maintenance services increased by 2.3 million or 12.3% to HK\$21.0 million from HK\$18.7 million for HY2018.

The Group's total revenue decreased by HK\$141.8 million or 46.7% to HK\$161.6 million from HK\$303.4 million for HY2018, mainly attributable to the decrease in revenue from sales of goods.

The Group's loss for HY2019 increased by 47.1% to HK\$15.0 million from HK\$10.2 million in HY2018 mainly due to (i) the decline in revenue of the Group; and (ii) the increase of finance costs occurred in loan from a shareholder, which was partially offset by (a) the decrease in operating expenses; and (b) the absence of a loss from the discontinued operations pursuant to a distribution in specie which was recorded in HY2018. The Group will closely monitor the business segment and keep up with the changing business environment caused by the uncertainties in global economy.

(II) FINANCIAL REVIEW

Unaudited Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

Revenue

Revenue in HY2019 decreased by 46.7% to HK\$161.6 million from HK\$303.4 million in HY2018, mainly attributable to the drop in orders.

Cost of sales

Cost of sales in HY2019 decreased by 48.1% to HK\$118.5 million from HK\$228.3 million in HY2018. The decrease was attributable to the decline of revenue as well as the decrease in materials costs.

Gross profit and gross profit margin

The gross profit in HY2019 decreased by 42.5% to HK\$43.2 million from HK\$75.1 million in HY2018. The gross profit margin in HY2019 was 26.7% compared to 24.7% in HY2018.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) FINANCIAL REVIEW (CONTINUED)

Other income and gains, net

Other income and gains, net in HY2019 decreased by 25.0% to HK\$0.6 million from HK\$0.8 million in HY2018, mainly due to the decline of sundry income.

Selling and distribution expenses

Selling and distribution expenses in HY2019 decreased by 25.4% to HK\$27.0 million from HK\$36.2 million in HY2018, mainly due to the cost saving after the completion of the distribution in specie of shares in the subsidiaries.

Administrative expenses

Administrative expenses in HY2019 decreased by 17.4% to HK\$27.5 million from HK\$33.3 million in HY2018, mainly due to the cost saving in entertainment, rental expenses and business trip expenses after the completion of the distribution in specie of shares in the subsidiaries.

Finance costs

Finance costs in HY2019 increased by 120.0% to HK\$4.4 million from HK\$2.0 million in HY2018, mainly due to increase of interest expenses of loan from a shareholder.

Loss for the period

In view of the above, the Group's loss for HY2019 increased by 47.1% to HK\$15.0 million from HK\$10.2 million in HY2018.

Unaudited Condensed Consolidated Statement of Financial Position

Inventories

Inventories was HK\$109.4 million as at 30 June 2019, similar to that as at 31 December 2018 of HK\$109.5 million.

Trade and bills receivables

Trade and bills receivables decreased by HK\$9.4 million from HK\$213.2 million as at 31 December 2018 to HK\$203.8 million as at 30 June 2019, mainly due to the decrease in trade and bills receivables which are over 2 years.

Trade and bills payables

Trade and bills payables decreased by HK\$17.0 million from HK\$45.0 million as at 31 December 2018 to HK\$28.0 million as at 30 June 2019 due to change in procurement mix.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) FINANCIAL REVIEW (CONTINUED)

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2019, the Group's net current assets stood at HK\$453.8 million (31 December 2018: HK\$288.9 million), of which the cash and bank balances were HK\$311.8 million (31 December 2018: HK\$187.6 million). The Group's current ratio was 3.3 (31 December 2018: 2.2).

Total bank borrowings, overdrafts and loan from a shareholder as at 30 June 2019 was HK\$327.5 million (31 December 2018: HK\$150.5 million). All the Group's bank borrowings, overdrafts and loan from a shareholder were denominated in Japanese Yen, United States dollars and Hong Kong dollars. The Group's gearing ratio stood at 115.6% as at 30 June 2019 (31 December 2018: 50.5%), which is calculated based on the Group's total interest-bearing debts over the total equity. The Group adopts centralised financing and treasury policies in order to ensure that group financing is managed efficiently. The Group also regularly monitors its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short term and long term.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for those disclosed in this interim report, there were no significant investments held by the Group as at 30 June 2019, nor were there other material acquisitions and disposals of subsidiaries by the Group during HY2019. Apart from those disclosed in this interim report, there was no other plan authorised by the Board for other material investments or additions of capital assets at the date of this interim report.

PLEDGE ON ASSETS

The Group did not have any charges on its assets as at 30 June 2019.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Group did not have any material contingent liabilities or capital commitment as at 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

EXPOSURE TO FLUCTUATIONS ON EXCHANGE RATES

The Group's transactions are mainly denominated in United States dollars, Japanese Yen, Hong Kong dollars and Renminbi. Therefore, the Group is exposed to foreign currency exchange risk. The Group has not implemented any foreign currency hedging policy at the moment. However, continuous monitoring on the foreign exchange exposure is carried out by the management and the management will consider hedging against significant foreign exchange exposure should the need arise.

INTERIM DIVIDEND

The Board did not declare an interim dividend for HY2019 (HY2018: Nil).

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE RULES ("LISTING RULES") GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED ("SEHK")

There is no other change in the Directors' biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2018 annual report of the Company up to the date of this interim report.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2019, there were 169 (31 December 2018: 354) employees in the Group. For HY2019, the Group incurred total staff costs of approximately HK\$32.4 million (HY2018 HK\$43.0 million), representing a decrease of approximately 24.7% as compared to those in HY2018. Staff remuneration packages are determined after consideration of market conditions and performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

(III) PROSPECTS

The uncertain global economic outlook and China's slowing economic growth may continue into the second half of 2019, the Group will closely observe the changes in political and business environment and continue to expand our core business by leveraging the established business network and financial resources of the Group. The Group may also explore other business opportunities which may involve acquisitions or investments in assets and/or businesses or cooperation with a view to enhancing the Group's business growth and asset base as well as broadening its income stream and generating long-term and sustainable growth in shareholder value.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required (a) to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listing Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of HY2019 nor at any time during HY2019 was the Company nor any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except for the Share Option Schemes and the Share Award Scheme.

SHARE OPTION SCHEMES AND SHARE AWARD SCHEME

Details of the Share Option Schemes and the Share Award Scheme are set out in Notes 17 and 18 to the unaudited condensed consolidated financial statements respectively.

No share option had been granted, exercised, expired, cancelled or lapsed and there is no outstanding share option under the 2004 Share Option Scheme and the 2011 Share Option Scheme during HY2019.

During HY2019, no share awards had been granted under the Share Award Scheme.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

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

As at 30 June 2019, so far as known to the Directors of the Company, the following persons (other than the Directors whose interests are disclosed in the section headed "Directors' Interests in Shares and Underlying Shares and Debentures" above) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in Shares

Name	Capacity and nature of interests	Direct Interest		Deemed Interest	
		Number of Shares held	Approximate percentage of the issued share capital of the Company	Number of Shares held	Approximate percentage of the issued share capital of the Company
Baodi International Investment Company Limited (Note 1)	Beneficial owner	201,196,995	73.05%	-	-
Yunnan Energy Investment (HK) Co. Limited (Note 1)	Interest of controlled corporation	-	-	201,196,995	73.05%
Yunnan Provincial Energy Investment Group Co., Limited (Note 1)	Interest of controlled corporation	-	-	201,196,995	73.05%

Notes:

- 201,196,995 shares are owned by Baodi International Investment Company Limited which is wholly owned by Yunnan Energy Investment (HK) Co. Limited, which in turn is wholly owned by Yunnan Provincial Energy Investment Group Co., Limited. Accordingly, Yunnan Energy Investment (HK) Co. Limited and Yunnan Provincial Energy Investment Group Co., Limited are deemed to be interested in all the Shares held by Baodi International Investment Company Limited.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

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

Save as disclosed above, as at 30 June 2019, the Directors were not aware of any other persons (other than the Directors) who had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

During HY2019, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities on the SEHK or the Singapore Exchange Securities Trading Limited ("SGX-ST").

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed the unaudited interim results of the Group for HY2019, including the review of the accounting principles and practices adopted by the Group, and has also discussed auditing, risk management and internal control and financial reporting matters. The Audit Committee has no disagreement with the accounting principles, treatments and practices adopted by the Group.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company recognises the importance of good corporate governance and accountability to shareholders. The Board believes that the Company and all its stakeholders can benefit from such practice and management culture. Therefore, the Company continuously reviews its corporate governance practice to comply, where applicable, with the principles and guidelines of the Corporate Governance Code (the “Hong Kong Code”) contained in Appendix 14 to the Listing Rules.

In the opinion of the Board, the Company has complied with the applicable code provisions of the Hong Kong Code throughout HY2019, except for a deviation from code provision A.2.1 of the Hong Kong Code which is explained below.

Accordingly to code provision A.2.1 of the Hong Kong Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Given the size of the Company’s current business operations and the nature of its activities, the Board is of the view that it is not necessary to separate the roles of the Chairman and Chief Executive Officer of the Company. In addition, three out of seven directors are independent non-executive Directors, all independent non-executive Directors are members of each of the three Board Committees. In view of these, the Board is of the opinion that there is an appropriate balance of power within the Board, and that there is no undue concentration of power and authority in a single individual. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are in line with those in the Hong Kong Code.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

Having made specific enquiry with all Directors, the Company confirmed that all members of the Board complied with the Model Code during HY2019.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of noncompliance with the Model Code by such employees was noted by the Company during HY2019.

DISCLOSURE ON THE WEBSITES OF THE EXCHANGES AND THE COMPANY

This report shall be published on the respective websites of the SEHK, SGX-ST and the Company.

By Order of the Board
Yunnan Energy International Co. Limited
ZHANG Jincan
Chairman

Hong Kong, 22 August 2019

FINANCIAL STATEMENTS

RESULTS

The board (the “Board”) of directors (the “Director(s)”) of Yunnan Energy International Co. Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2019 (“HY2019”) together with the comparative figures for the six months ended 30 June 2018 (“HY2018”) as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2019	2018
		HK\$'000	HK\$'000 (Restated)
CONTINUING OPERATION			
Revenue	3	161,648	303,382
Cost of sales		(118,469)	(228,315)
Gross profit		43,179	75,067
Other income and gains, net		593	790
Selling and distribution expenses		(26,951)	(36,194)
Administrative expenses		(27,481)	(33,333)
Finance costs, net	4	(4,367)	(2,049)
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATION	5	(15,027)	4,281
Income tax expense	6	(53)	(242)
(LOSS)/PROFIT FOR THE PERIOD FROM CONTINUING OPERATION		(15,080)	4,039
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations	7	–	(14,228)
LOSS FOR THE PERIOD		(15,080)	(10,189)

FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

	Notes	Six months ended 30 June	
		2019	2018
		HK\$'000	HK\$'000 (Restated)
OTHER COMPREHENSIVE INCOME/(LOSS)			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods</i>			
– Exchange differences:			
On translation of foreign operations		129	2,130
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		129	2,130
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX		129	2,130
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(14,951)	(8,059)
Profit/(loss) for the period attributable to:			
Shareholders of the Company		(15,080)	(10,719)
Non-controlling interests		–	530
		(15,080)	(10,189)
Total comprehensive income/(loss) for the period attributable to:			
Shareholders of the Company		(14,951)	(8,574)
Non-controlling interests		–	515
		(14,951)	(8,059)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY:	9		
Basic			
For loss for the period		(HK5.47 cents)	(HK3.89 cents)
For profit/(loss) from continuing operation		(HK5.47 cents)	HK1.47 cents
Diluted			
For loss for the period		(HK5.47 cents)	(HK3.89 cents)
For profit/(loss) from continuing operation		(HK5.47 cents)	HK1.45 cents

FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2019	31 December 2018	1 January 2018
		HK\$'000	HK\$'000 (Restated)	HK\$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	10	2,931	2,984	78,958
Goodwill		–	–	10,509
Other intangible assets		2,702	3,088	34,025
Equity investment at fair value through other comprehensive income		3,204	3,204	–
Available-for-sale investments		–	–	3,510
Deposits paid for acquisition of property, plant and equipment		–	–	7,090
Other non-current asset		–	–	3,856
Deferred tax assets		–	–	127
Total non-current assets		8,837	9,276	138,075
CURRENT ASSETS				
Inventories		109,418	109,529	348,262
Trade and bills receivables	11	203,779	213,187	636,372
Prepayments, deposits and other receivables	12	26,371	24,340	55,469
Income tax recoverable		–	–	2,840
Cash and bank balances		311,826	187,557	112,614
Total current assets		651,394	534,613	1,155,557
CURRENT LIABILITIES				
Trade and bills payables	13	27,963	45,004	155,851
Other payables and accruals	14	21,575	47,763	153,150
Income tax payables		–	2,440	21,638
Bank borrowings		24,092	26,530	287,497
Loan from a shareholder	15	124,000	124,000	–
Total current liabilities		193,630	245,737	618,136

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	30 June 2019	31 December 2018	1 January 2018
		HK\$'000	HK\$'000 (Restated)	HK\$'000 (Restated)
NET CURRENT ASSETS		453,764	288,876	537,421
TOTAL ASSETS LESS CURRENT LIABILITIES		462,601	298,152	675,496
NON-CURRENT LIABILITIES				
Bank borrowings		–	–	24,569
Defined benefit obligations		–	–	9,295
Deferred tax liabilities		–	–	1,140
Loan from a shareholder	15	179,400	–	–
Total non-current liabilities		179,400	–	35,004
Net assets		283,201	298,152	640,492
EQUITY				
Equity attributable to shareholders of the Company				
Issued capital	16	107,420	107,420	107,420
Reserves		175,781	190,732	542,703
		283,201	298,152	650,123
Non-controlling interests		–	–	(9,631)
Total equity		283,201	298,152	640,492

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						Total equity
	Issued capital	Share premium account	Contributed surplus	Capital and other reserves	Exchange fluctuation reserve	Retained profits	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019	107,420	143,392	3,071	110	90	44,069	298,152
Loss for the period	-	-	-	-	-	(15,080)	(15,080)
Other comprehensive income for the period:							
Exchange differences:							
On translation of foreign operations	-	-	-	129	-	129	
Total comprehensive income/(expense) for the period	-	-	-	-	129	(15,080)	(14,951)
At 30 June 2019	107,420	143,392	3,071	110	219	28,989	283,201

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to shareholders of the Company							Non-controlling interests	Total equity	
	Issued capital	Share premium account	Contributed surplus	Share option reserve	Capital and other reserves	Exchange fluctuation reserve	Reserve funds			Retained profits
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2018:										
As previously reported	107,420	143,392	3,071	12,923	(28,069)	11,755	4,173	395,458	660,123	640,492
Effect of adoption of IFRS 9	-	-	-	-	-	-	-	(6,909)	(6,909)	(6,909)
As restated	107,420	143,392	3,071	12,923	(28,069)	11,755	4,173	388,549	643,214	633,583
Loss for the period	-	-	-	-	-	-	-	(10,719)	(10,719)	(10,189)
Other comprehensive income/ (loss) for the period:										
Exchange differences:										
On translation of foreign operations	-	-	-	-	-	2,145	-	-	2,145	(15)
Total comprehensive loss for the period	-	-	-	-	-	2,145	-	(10,719)	(8,574)	(8,059)
Recognition of equity-settled share option expense	5	-	-	145	-	-	-	-	145	145
Transfer of share option reserve upon lapse and cancellation of share options	-	-	-	(73)	-	-	-	73	-	-
At 30 June 2018	107,420	143,392	3,071	12,995	(28,069)	13,900	4,173	377,903	634,785	625,669

FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows used in operating activities	(52,525)	(13,549)
Cash flows from Investing activities		
Interest received	593	55
Purchases of items of property, plant and equipment	(362)	(4,399)
Payment of product development costs	–	(17,909)
Net cash flows from/(used in) investing activities	231	(22,253)
Cash flows from financing activities		
New bank loans	109,827	261,940
Repayments of bank loans	(115,223)	(250,216)
Receipts from discounting of bills receivable with recourse	–	(23,915)
New loan from a shareholder	179,400	–
Interest paid	(570)	(6,170)
Net cash from/(used in) financing activities	173,434	(18,361)
Net increase/(decrease) in cash and cash equivalents	121,140	(54,163)
Cash and cash equivalents at beginning of the period	187,547	90,906
Effect of foreign exchange rate changes, net	172	7,694
Cash and cash equivalents at end of the period	308,859	44,437
Analysis of balances of cash and cash equivalents		
Cash and bank balances other than time deposits	18,143	58,243
Time deposits	293,683	–
Cash and bank balances as stated in the unaudited condensed consolidated statement of financial position	311,826	58,243
Bank overdraft included in bank borrowings	(2,967)	(13,806)
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of cash flows	308,859	44,437

FINANCIAL STATEMENTS

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Yunnan Energy International Co. Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability. The Company’s shares have a primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (“SEHK”) and a secondary listing on the Main Board of Singapore Exchange Securities Trading Limited (“SGX-ST”).

During the period, the Company is an investment holding company. The Company and its subsidiaries (collectively, the “Group”) were involved in the following principal activities:

- Design, manufacture and sale of analytical and laboratory instruments and life science equipment (the “Manufacturing Business”, discontinued in 2018 – note 7)
- Distribution of branded analytical and laboratory instruments and life science equipment to areas outside the People’s Republic of China (the “PRC”) and the provision of related repair and maintenance services (the “Overseas Distribution Business”, discontinued in 2018 – note 7)
- Distribution of branded analytical and laboratory instruments and life science equipment to the PRC and the provision of related repair and maintenance services (the “PRC Distribution Business”)

The immediate holding company of the Company is Baodi International Investment Company Ltd. (“Baodi”), which is incorporated in the British Virgin Islands with limited liability, and in the opinion of the directors, the ultimate holding company of the Company is Yunnan Provincial Energy Investment Group Co., Ltd, which is a state-owned enterprise established in the PRC and is wholly owned by The State-owned Assets Supervision and Administration Commission of the Yunnan Provincial People’s Government of the PRC.

FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis.

The functional currency of the Company is United States Dollars (“US\$”) and accordingly, the consolidated financial statements of the Group was presented in US\$ in prior years. Starting from 1 January 2019, the Group has changed its presentation currency for the preparation of its consolidated financial statements from US\$ to Hong Kong Dollars (“HK\$”). The directors of the Company considered that the change of presentation currency to HK\$ enables the shareholders and potential investors of the Company to have a more accurate picture of the Group by aligning the Group’s financial performance with its share price. The effects of the change in the presentation currency have been accounted for retrospectively with comparative figures restated. The comparative amounts in the consolidated financial statements are presented as if HK\$ had always been the presentation currency of the consolidated financial statements. The Group has also presented the consolidated statement of financial position as at 1 January 2018 without related notes.

For the purpose of presenting the consolidated financial statements of the Group in HK\$, the assets and liabilities for the consolidated statement of financial position are translated into HK\$ at the closing rate at the respective reporting dates. Income and expenses for the consolidated statement of profit or loss and other comprehensive income are translated at the average exchange rates for the month of the transactions, unless exchange rates fluctuated significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Issued capital, share premium and other reserves are translated at the exchange rate at the date when the respective amounts were determined. The non-controlling interests presented in the consolidated statement of financial position are translated into HK\$ at the closing rate at the respective reporting dates.

Other than changes in accounting policies resulting from application of new International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s unaudited condensed consolidated financial statements:

Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
IFRS 16	<i>Leases</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 IFRS 16 Lease

The Group has applied IFRS 16 for the first time in the current period. IFRS 16 superseded IAS 17 Lease and the related interpretations.

The Group has applied IFRS 16 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 17 Lease and the related interpretations.

Before the adoption of IFRS 16, commitments under operating leases for future periods were not recognised by the Groups as liabilities. Operating lease rental expenses were recognised in the consolidated income statement over the lease period on a straight-line basis.

Under IFRS 16, the Group measures a leased liability based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial adoption; and the unpaid rent payables provided based on the accrual basis under the original standards on leases will be included in the remaining lease payments. The Group measures right-of-use assets based on each lease option using one of the following:

- assuming that the New Standards on Leases are adopted to measure right-of-use assets once the lease term is commenced, the carrying amount discounted using the incremental borrowing rate at the date of initial adoption;
- an amount equals to the leased liability and necessary adjustments will be made based on the prepaid rents.

The adoption of this new IFRS has no significant financial effect on these financial statements

FINANCIAL STATEMENTS

3. REVENUE AND OPERATING SEGMENT INFORMATION

An analysis of the Group's revenue from the continuing operation is as follows:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Sale of goods	140,584	284,738
Repair and maintenance service income	21,064	18,644
	161,648	303,382

Notes:

- a. More than 97% of the Group's revenue from the continuing operation for the six months ended 30 June 2019, which is the revenue from contracts with customers, was derived from sales and services provided to customers in the PRC.

Sales of goods and repair and maintenance service income for the six months ended 30 June 2019 were recognised at the point in time and over time, respectively.

- b. The revenue from the continuing operation recognised during the six months ended 30 June 2019 that was included in the contract liability balance as at 1 January 2019 amounted to approximately HK\$38,988,000. No revenue recognised during the six months ended 30 June 2019 related to performance obligations satisfied or partially satisfied in previous years.
- c. Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation for the sale of goods is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

Provision of repair and maintenance services

The performance obligation is satisfied over time, using the input method on the basis of labour time spent on the services, and payment is generally due upon completion of the services.

The Group did not have any transaction price allocated to performance obligations that were unsatisfied or partially unsatisfied as at 30 June 2019.

FINANCIAL STATEMENTS

3. REVENUE AND OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segment information

No operating segment information of the continuing operation is presented as more than 90% of the Group's revenue and reported results from the continuing operation during each of the six months ended 30 June 2019 and 2018, and more than 90% of the Group's total assets attributable to the continuing operation as at the end of each of these periods were derived from one single operating segment, i.e., the PRC Distribution Business.

Geographical information

No geographical information of the continuing operation is presented as more than 90% of the revenue from the continuing operation during each of the six months ended 30 June 2019 and 2018 was derived from the PRC (including Hong Kong and Macau – country of domicile) and more than 90% of the Group's non-current assets attributable to the continuing operation as at the end of each of these periods were located in the PRC (including Hong Kong and Macau).

Information about major customers

During the six months ended 30 June 2019, there was a single external customer who contributed approximately 13.7% of the Group's total revenue (equivalent to approximately HK\$22,146,000) from the continuing operation for the period.

During the six months ended 30 June 2018, there was no single external customer who contributed over 10% of the Group's total revenue from the continuing operation for the period.

4. FINANCE COSTS, NET

Finance costs, net from the continuing operation during the six months ended 30 June 2019 and 2018 were interest on loan from a shareholder, bank loans and bank overdrafts.

FINANCIAL STATEMENTS

5. (LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATION

The Group's (loss)/profit before tax from the continuing operation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	118,469	228,315
Depreciation of property, plant and equipment	357	405
Amortisation of other intangible assets*	386	–
Minimum lease payments under operating leases	–	4,602
Rental expenses on the short term leases	3,569	–
Employee benefit expense (excluding directors' remuneration):		
Salaries, allowances and benefits in kind	26,772	35,068
Equity-settled share option expense	–	145
Defined contribution scheme contributions	5,644	7,798
	32,416	43,011
Foreign exchange loss, net	1,407	562
Loss on disposal of items of property, plant and equipment, net	15	–
Reversals of impairment of trade receivables, net	357	–
	32,416	43,011

- * The amortisation of other intangible assets for the period is included in "Administrative expenses" on the face of the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

FINANCIAL STATEMENTS

6. INCOME TAX EXPENSE

An analysis of the Group's income tax expense is as follows:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Current – PRC	53	327
Current – elsewhere	–	125
Deferred	–	(46)
	53	406
Attributable to:		
Continuing operation	53	242
Discontinued operations (note 7)	–	164
	53	406

Notes:

- (a) The income tax expense of the Group is calculated at the respective statutory tax rates prevailing in the relevant jurisdictions.

Income taxes in Hong Kong and Singapore are calculated at 16.5% and 17% (six months ended 30 June 2018: 16.5% and 17%) of the estimated assessable profits for the period, respectively. No provision for Hong Kong Profits Tax and Singapore Corporate Income Tax was made as the Group does not have any assessment profits arising from Hong Kong and Singapore for both periods.

Under the Law of the PRC on Corporate Income Tax (the "PRC Corporate Income Tax Law") and the Implementation Regulation of the PRC Corporate Income Tax Law, the tax rate of the PRC subsidiaries is 25% (six months ended 30 June 2018: 25%).

The Macau subsidiary is currently enjoying tax exemption provided by Decree-Law No. 58/99/M. Under that law, the Macau subsidiary is duly authorised to operate as an offshore institution and is exempted from Macau income tax when the income is generated through the engagement in offshore business that targets only overseas residents as customers and uses only a non-Macau currency in its activities. Accordingly, no provision for income tax in Macau was made by the Macau subsidiary.

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7. DISTRIBUTION IN SPECIE AND DISCONTINUED OPERATIONS

As approved by the shareholders interests of the Company at a special general meeting held on 17 July 2018, the Group distributed all of its equity interests in Techcomp Instrument Limited, a then wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability, to the Company's shareholders by way of a distribution in specie on 14 August 2018, as part of the conditions precedent to fulfil in connection with the sale of the Company's shares by certain major shareholders of the Company to a then third party. Techcomp Instrument Limited and its subsidiaries (collectively, the "Techcomp Instrument Group") are involved in the Manufacturing Business and Overseas Distribution Business. Upon completion of the distribution in specie, Techcomp Instrument Limited ceased to be a subsidiary of the Group.

The Group's Manufacturing Business and Overseas Distribution Business were solely undertaken by the Techcomp Instrument Group in 2018. Accordingly, the Manufacturing Business and Overseas Distribution Business of the Group were discontinued upon the completion of the distribution in specie.

- (a) The results of the discontinued operations dealt with in the unaudited condensed consolidated financial statements for the six months ended 30 June 2018 are summarised as follows:

	Six months ended 30 June 2018
	<i>HK\$'000</i>
Revenue	346,671
Other income and gains, net	2,077
Expenses	(362,812)
Loss before tax of the discontinued operations	(14,064)
Income tax expense related to loss before tax of the discontinued operations (note 6)	(164)
Loss for the period from the discontinued operations	(14,228)
Attributable to:	
Shareholders of the Company	(14,758)
Non-controlling interests	530
	(14,228)

FINANCIAL STATEMENTS

7. DISTRIBUTION IN SPECIE AND DISCONTINUED OPERATIONS (CONTINUED)

- (b) The net cash flows of the discontinued operations dealt with in the unaudited condensed consolidated financial statements are as follows:

	Six months ended 30 June 2018
	<i>HK\$'000</i>
Net cash inflow from operating activities	18,244
Net cash outflow from investing activities	(18,946)
Net cash outflow from financing activities	(5,148)
Net cash outflow attributable to the discontinued operations	(5,850)

- (c) Loss per share from the discontinued operations

	Six months ended 30 June 2018
Basic and diluted loss per share from the discontinued operations	(HK5.36 cents)

No adjustment has been made to the basic loss per share amounts of the discontinued operations in respect of a dilution as the impact of the share options outstanding during the six months ended 30 June 2018 had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted loss per share amounts from the discontinued operations are based on:

	Six months ended 30 June 2018
Loss for the period from the discontinued operations attributable to shareholders of the Company	HK\$14,758,000
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation (note 9)	275,437,000

8. DIVIDENDS

The Board does not recommend or declare any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

FINANCIAL STATEMENTS

9. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to shareholders of the Company and the weighted average number of ordinary shares in issue during the period.

In respect of the period ended 30 June 2019, no adjustment has been made to the basic loss per share amounts presented as the Company has no dilutive potential shares during the period.

In respect of the period ended 30 June 2018, the calculation of the diluted earnings per share amounts from a continuing operation is based on the profit for the period from a continuing operation attributable to shareholders of the Company, and the weighted average number of ordinary shares used in the calculation is the total of (i) the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation; and (ii) the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive share options into ordinary shares.

In respect of the period ended 30 June 2018, the calculation of the diluted loss per share amounts from continuing and discontinued operations is the same as the basic loss per share from continuing and discontinued operation as all potential ordinary shares is anti-dilutive.

The calculations of basic and diluted earnings/(loss) per share amounts are based on the following data:

Earnings/(loss)

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period attributable to shareholders of the Company, used in the basic and diluted earnings/(loss) per share calculations:		
From a continuing operation	(15,080)	4,039
From discontinued operations	–	(14,758)
	<u>(15,080)</u>	<u>(10,719)</u>

Number of ordinary shares

	Number of shares	
	Six months ended 30 June	2018
	2019	2018
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares in issue during the period, used in the basic earnings/(loss) per share calculations	275,437	275,437
Effect of dilution of share options – weighted average number of ordinary shares	–	3,287
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings/(loss) per share calculations	<u>275,437</u>	<u>278,724</u>

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10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$362,000 (six months ended 30 June 2018: HK\$11,497,000) on acquisition of property, plant and equipment. During the period, the Group disposed items of property, plant and equipment with carrying amount of approximately HK\$15,000 (six months ended 30 June 2018: nil).

11. TRADE AND BILLS RECEIVABLES

	Notes	30 June 2019	31 December 2018
		HK\$'000	HK\$'000 (Restated)
Trade receivables	(a)	234,981	242,631
Bills receivable		–	2,115
Impairment		(31,202)	(31,559)
		203,779	213,187

Notes:

- (a) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.
- (b) An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2019	31 December 2018
	HK\$'000	HK\$'000 (Restated)
Less than 90 days	40,872	71,230
91 to 120 days	35,998	10,156
121 to 365 days	29,503	37,222
1 to 2 years	93,779	77,337
Over 2 years	3,627	17,242
	203,779	213,187

FINANCIAL STATEMENTS

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	30 June 2019	31 December 2018
		HK\$'000	HK\$'000 (Restated)
Prepayments		9,051	4,634
Deposits and other receivables	(a)	17,320	19,706
		26,371	24,340

Notes:

- (a) Deposits and other receivables mainly comprise tendering deposits, performance pledge deposits, rental deposits and value-added tax recoverable. These amounts were not considered impaired as there was no recent history of default and the Group did not experience any material incurred credit losses in the past with respect to the counterparties.

13. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2019	31 December 2018
	HK\$'000	HK\$'000 (Restated)
Less than 60 days	25,863	41,122
61 to 180 days	1,680	3,401
181 to 365 days	4	–
Over 1 year	416	481
	27,963	45,004

Notes:

- (a) The trade payables are non-interest-bearing and are normally settled on terms ranging from 60 days to 90 days.
- (b) Included in the trade and bills payables are amounts of HK\$9,153,000 (31 December 2018: HK\$29,726,000) due to related companies in which Messrs. Lo Yat Keung and Chan Wai Shing, who are connected persons as defined in the Chapter 14A of the Listing Rules, have beneficial interests. These trade payables, arising from transactions carried out in the ordinary course of business of the Group, are unsecured and repayable within 90 days.

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14. OTHER PAYABLES AND ACCRUALS

	Notes	30 June 2019 HK\$'000	31 December 2018 HK\$'000 (Restated)
Accruals		2,783	3,272
Contract liabilities – customers' deposits	(a)	13,324	38,988
Other payables	(b)	5,468	5,503
		21,575	47,763

Notes:

- (a) Contract liabilities include short-term advances received to deliver analytical and laboratory instruments and life science equipment and render repair and maintenance services.
- (b) Other payables are non-interest-bearing and have an average term of three months.

15. LOAN FROM A SHAREHOLDER

Pursuant to a loan agreement dated 24 December 2018 entered into between the Company and Baodi, the immediate holding company, Baodi granted a shareholder's loan facility of HK\$124,000,000 to the Company, which had been fully utilised as at 31 December 2018. The shareholder's loan is unsecured, bears interest at the rate of 6% per annum and has a maturity date of 29 December 2019, which can be extended from time to time as mutually agreed between the two parties on or before the maturity date. The above-mentioned loan from a shareholder was repaid in July 2019.

Pursuant to a loan agreement dated 25 June 2019 entered into between a wholly-owned subsidiary of the Company (the "Borrower") and Baodi, the immediate holding company, a loan of US\$23,000,000 (equivalent to approximately HK\$179,400,000) is advanced from Baodi for the period ended 30 June 2019. The shareholder's loan is unsecured, bears interest at the rate of 7% per annum and the maturity date is the date falling 3 years after the drawdown date, which can be extended from time to time as mutually agreed between the two parties on or before the maturity date.

The loan arrangements with the shareholder constitute the exempted connected transactions under Chapter 14A of the Listing Rules.

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16. SHARE CAPITAL

Shares

	30 June 2019	31 December 2018
	<i>HK\$'000</i>	<i>HK\$'000 (Restated)</i>
Authorised:		
800,000,000 ordinary share of US\$0.05 (equivalent to approximately HK\$0.39) each	312,000	312,000
Issued and fully:		
275,437,000 ordinary share of US\$0.05 (equivalent to approximately HK\$0.39) each	107,420	107,420

Shares options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 17 to the unaudited condensed consolidated financial statements.

FINANCIAL STATEMENTS

17. SHARE OPTION SCHEMES

The Company has two share option schemes, details of which are as follows:

2004 Share Option Scheme

On 28 May 2004, the Company adopted a share option scheme (the “2004 Share Option Scheme”) for a maximum period of 10 years from the adoption date. The purpose of the 2004 Share Option Scheme was to provide the eligible participants with an opportunity to have a personal stake in the Company with a view to motivating them to optimise their performance efficiency for the benefit of the Company.

The size of the 2004 Share Option Scheme shall not exceed 15% of the issued ordinary share capital of the Company. The options that are granted under the 2004 Share Option Scheme may have exercise prices that are set at a price equal to the average of the last dealt prices for the shares of the Company, determined by reference to the daily official list or other publication published by the Official List of SGX-ST for a period of five consecutive market days immediately preceding the relevant date of grant of such options or at a discount to the above-mentioned price (subject to a maximum discount of 20%).

Directors (including non-executive directors and independent non-executive directors) and employees of the Group are eligible to participate in the 2004 Share Option Scheme. Controlling shareholders and their associates are not eligible to participate in the 2004 Share Option Scheme. Holders of options who are executive directors or employees of any company in the Group will have up to 10 years from the date of grant to exercise their options. Holders of options who are non-executive directors of any company within the Group will have up to 5 years from the relevant date of grant to exercise their options. Offers of options made to grantees, if not accepted within 30 days, will lapse.

The number of shares of the Company comprised in any option to be offered to a participant of the 2004 Share Option Scheme shall be determined at the absolute discretion of the remuneration committee of the Company. The maximum entitlement of any offeree, in accordance with and during the operation of the 2004 Share Option Scheme, shall not exceed 20% in aggregate of the total number of shares of the Company which have been issued and may be issued by the Company under the 2004 Share Option Scheme. Upon acceptance of the option, the grantee shall pay Singapore dollar (“SG\$”) 1.00 to the Company by way of consideration for the grant of the option.

The 2004 Share Option Scheme was subsequently superseded by another share option scheme which was adopted on 9 June 2011 (the “2011 Share Option Scheme”).

FINANCIAL STATEMENTS

17. SHARE OPTION SCHEMES (CONTINUED)

2004 Share Option Scheme (continued)

The following share options were outstanding under the 2004 Share Option Scheme during the period:

	Weighted average exercise price SG\$ per share (note (a))	Number of options '000
At 1 January 2018	0.32	13,773
Cancelled during the year (note (b))	0.18	(12,377)
Expired during the year (note (c))	0.12	(135)
Lapsed during the year (note (d))	0.24	(1,261)
At 31 December 2018, 1 January 2019 and 30 June 2019	N/A	–

Notes:

- (a) In consideration of the distribution in specie declared by the Company in 2018 as further detailed in note 7 to the unaudited condensed consolidated financial statements and as approved by the shareholders of the Company at a special general meeting held on 17 July 2018, exercise price of the options granted under the 2004 Share Option Scheme was adjusted during the year ended 31 December 2018. In the opinion of the directors, the price adjustment to the exercise price of the options did not provide additional benefits to the relevant share option holders and so there were no additional equity-settled share option expenses incurred by the Group as a result of the price adjustments.

The weighted average exercise prices of the options cancelled, expired and lapsed during the year ended 31 December 2018 disclosed above have taken into consideration the above-mentioned exercise price adjustments.

- (b) 12,377,000 share options had been cancelled on 11 September 2018 upon the closing of the unconditional mandatory cash general offer by Baodi in 2018. Further details of the cash general offer are set out in the Company's circular dated 21 August 2018 and announcement dated 11 September 2018.
- (c) 135,000 share options had been expired on 14 April 2018.

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17. SHARE OPTION SCHEMES (CONTINUED)

2004 Share Option Scheme (continued)

Notes: (continued)

- (d) 1,261,000 share options had been lapsed on 22 November 2018.
- (e) No share option expense was recognised in profit or loss during the six months ended 30 June 2019 and 2018 in respect of the options granted under the 2004 Share Option Scheme.

Save as disclosed above, no share option had been granted, exercised, expired, cancelled or lapsed and there is no outstanding share option under the 2004 Share Option Scheme during the six months ended 30 June 2019.

2011 Share Option Scheme

On 9 June 2011, the Company adopted the 2011 Share Option Scheme. The purpose of the 2011 Share Option Scheme was to enable the Company to grant options to eligible participants as incentives or rewards for their contribution to the Group, and to encourage eligible participants to perform their best in achieving goals of the Group.

Directors (including non-executive directors and independent non-executive directors) and employees of the Group are eligible to participate in the 2011 Share Option Scheme.

The 2011 Share Option Scheme shall be in force up to a maximum period of 10 years from the date on which the 2011 Share Option Scheme was adopted and may continue beyond the stipulated period with the approval of shareholders by way of an ordinary resolution in a general meeting and of such relevant authorities which may then be required.

The options that are granted under the 2011 Share Option Scheme may have exercise prices that are the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheet issued by SEHK or SGX-ST (whichever is higher) on the offer date of such options, which must be a business day; and (ii) the average of the closing prices of the shares of the Company as stated in the daily quotations sheets issued by SEHK or SGXST for the five consecutive business days immediately preceding the offer date of such options (whichever is higher).

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17. SHARE OPTION SCHEMES (CONTINUED)

2011 Share Option Scheme (continued)

Where the options are granted to the controlling shareholders and their associates, (i) the aggregate number of shares of the Company available to the controlling shareholders and their associates shall not exceed 25% of the maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2011 Share Option Scheme; (ii) the aggregate number of shares of the Company available to each controlling shareholder or his associate shall not exceed 10% of the maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2011 Share Option Scheme; (iii) separate approval of independent shareholders shall be obtained for each participant in respect of this participation and the number of shares of the Company comprised in the options to be granted to him and the terms.

The number of shares of the Company comprised in any option to be offered to a participant in the 2011 Share Option Scheme shall be determined at the absolute discretion of the remuneration committee of the Company. The total number of shares of the Company issued and to be issued upon exercise of the options granted to such participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue under the 2011 Share Option Scheme. Upon acceptance of the option, the grantee shall pay S\$1.00 to the Company by way of consideration for the grant of the option.

Pursuant to the extraordinary general meeting of the Company on 9 June 2011 and the approval granted by the Listing Committee of SEHK, the Company may grant options entitling the eligible participants to subscribe for up to a maximum number of 23,250,000 shares of the Company, representing 10% of the issued share capital of the Company as at the adoption date.

The following share options were outstanding under the 2011 Share Option Scheme during the period:

	Weighted average exercise price HK\$ per share (note (a))	Number of options '000
At 1 January 2018	2.00	1,700
Lapsed during the year (note (b))	1.16	(1,700)
At 31 December 2018, 1 January 2019 and 30 June 2019	N/A	–

FINANCIAL STATEMENTS

17. SHARE OPTION SCHEMES (CONTINUED)

2011 Share Option Scheme (continued)

Notes:

- (a) In consideration of the distribution in specie declared by the Company in 2018 as further detailed in note 7 to the unaudited condensed consolidated financial statements and as approved by the shareholders of the Company at a special general meeting held on 17 July 2018, exercise price of the options granted under the 2011 Share Option Scheme was adjusted during the year ended 31 December 2018. In the opinion of the directors, the price adjustment to the exercise price of the options did not provide additional benefits to the relevant share option holders and so there were no additional equity-settled share option expenses incurred by the Group as a result of the price adjustments.

The weighted average exercise prices of the options cancelled, expired and lapsed during the year ended 31 December 2018 disclosed above have taken into consideration the above-mentioned exercise price adjustments.

- (b) All outstanding share options had been cancelled on 11 September 2018 upon the closing of the unconditional mandatory cash general offer by Baodi. Further details of the cash general offer are set out in the Company's circular dated 21 August 2018 and announcement dated 11 September 2018.
- (c) No share option expense (six months ended 30 June 2018: HK\$145,000) was recognised in profit or loss during the six months ended 30 June 2019 in respect of the options granted under the 2011 Share Option Scheme.

Save as disclosed above, no share option had been granted, exercised, expired, cancelled or lapsed and there is no outstanding share option under the 2011 Share Option Scheme during the six months ended 30 June 2019.

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18. SHARE AWARD SCHEMES

On 11 January 2017, the Company adopted a share award scheme. Pursuant to the share award scheme, existing shares of the Company will be purchased by a trustee of the Company from the market out of cash contributed by the Group and be held in trust for the selected participants until such shares are vested with the selected participants in accordance with the provisions of the scheme. When the selected participant has satisfied all vesting conditions specified by the board of directors of the Company at the time of making the award and become entitled to the shares forming the subject of the award, the trustee shall transfer the relevant vested shares to that qualifying person.

The purposes of the share award scheme are to recognise the contributions by the Group's employees, executives, officers or directors and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

During the year ended 31 December 2018 and the period from 1 January 2019 to 30 June 2019, no shares of the Company were acquired by the trustee and no share awards were granted.

19. CONTINGENT LIABILITIES

As at 30 June 2019 and 31 December 2018, the Group had no material contingent liabilities.

20. CAPITAL COMMITMENTS

As at 30 June 2019 and 31 December 2018, the Group did not have any significant capital commitment.

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21. RELATED PARTIES DISCLOSURES

- (a) In addition to the transactions detailed elsewhere in the unaudited condensed consolidated financial statements, the Group had the following material transactions with related parties during the period:

	Notes	Six Months ended 30 June	
		2019 HK\$'000	2018 HK\$'000 (Restated)
Interest paid and payable on a loan from the immediate holding company	(i)	3,689	–
Consultancy fees paid to key management personnel	(ii)	1,680	–
Purchases of goods from companies in which one of the key management personnel has beneficial interests	(iii)	20,672	–

Except for the loan from the immediate holding company which is an exempted connected transaction, the other related party transactions disclosed above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Notes:

- (i) Details of the loan from the immediate holding company are set out in note 15 to the unaudited condensed consolidated financial statements.
- (ii) The consultancy fees were paid and payable for services provided by Messrs. Lo Yat Keung and Chan Wai Shing, who resigned as directors of the Company in 2018, in connection with the operations of the Group. The consultancy fees were charged pursuant to the terms of the service agreements signed between the Group and the two related parties.
- (iii) The purchases were made from companies in which Mr. Lo Yat Keung has beneficial interest, based on mutually agreed terms.

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21. RELATED PARTIES DISCLOSURES (CONTINUED)

- (b) Outstanding balances with related parties:
- (i) The Group had a loan balance due to its immediate holding company of HK\$303,400,000 (31 December 2018: HK\$124,000,000) as at the end of the reporting period, as further detailed in note 15 to the unaudited condensed consolidated financial statements.
 - (ii) Details of the Group's trade payables due to companies controlled by Messrs. Lo Yat Keung and Chan Wai Shing, who resigned as directors of the Company in 2018, as at the end of the reporting period are disclosed in note 13(b) to the unaudited condensed consolidated financial statements.
- (c) Compensation of key management personnel of the Group:

	six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Restated)</i>
Short term employee benefits	1,999	3,877
Post-employment benefits	6	903
Equity-settled share option expense	–	145
Total compensation paid to key management personnel	2,005	4,925

22. COMPARATIVE AMOUNTS

The comparative unaudited condensed consolidated statement of profit or loss and other comprehensive income has been represented as if the operations discontinued during the six months ended 30 June 2018 had been discontinued at the beginning of the comparative period (note 7). In addition, certain comparative amounts have been reclassified to conform to the current year's presentation and disclosures.