

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained, or opinions expressed in this announcement.*



**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)**

**ANNOUNCEMENT OF FINAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Yunnan Energy International Co. Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021 together with the comparative figures for the year ended 31 December 2020 as follows:

\* For identification purpose only

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Year ended 31 December 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	<b>84,106</b>	60,988
Cost of sales		<b>(80,994)</b>	(59,617)
		<hr/>	<hr/>
Gross profit		<b>3,112</b>	1,371
Other income and gains	5	<b>435</b>	826
Gain on deregistration of a subsidiary		<b>2,107</b>	–
Selling and distribution expenses		<b>(2,043)</b>	(4,271)
Administrative expenses		<b>(12,462)</b>	(14,924)
Reversal of impairment losses/(impairment losses) of financial assets, net		<b>4,590</b>	(12,722)
Other expenses, net		<b>(21,226)</b>	(29,187)
Finance costs	6	<b>(1,353)</b>	(3,292)
		<hr/>	<hr/>
<b>LOSS BEFORE TAX</b>	7	<b>(26,840)</b>	(62,199)
Income tax	8	<b>(112)</b>	–
		<hr/>	<hr/>
<b>LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>		<b>(26,952)</b>	(62,199)
		<hr/> <hr/>	<hr/> <hr/>

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>OTHER COMPREHENSIVE LOSS</b>			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(928)	(1,187)
Release of exchange fluctuation reserve upon deregistration of a subsidiary		(586)	–
		<u>(1,514)</u>	<u>(1,187)</u>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Change in fair value of equity investment at fair value through other comprehensive income		-	(816)
		<u>-</u>	<u>(816)</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX</b>			
		<u>(1,514)</u>	<u>(2,003)</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>			
		<u><u>(28,466)</u></u>	<u><u>(64,202)</u></u>
<b>LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>			
Basic and diluted	10	<u><u>(HK9.8 cents)</u></u>	<u><u>(HK22.6 cents)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	<b>742</b>	1,890
Right-of-use assets		<b>936</b>	1,307
Computer software		–	1,544
Equity investment at fair value through other comprehensive income		–	2,388
		<hr/>	<hr/>
Total non-current assets		<b>1,678</b>	7,129
<b>CURRENT ASSETS</b>			
Inventories		<b>6,400</b>	21,362
Trade receivables	12	<b>64,105</b>	36,460
Prepayments, deposits and other receivables		<b>92,824</b>	77,265
Income tax recoverable		–	110
Cash and bank balances		<b>103,122</b>	115,736
		<hr/>	<hr/>
Total current assets		<b>266,451</b>	250,933
<b>CURRENT LIABILITIES</b>			
Trade payables	13	<b>1,993</b>	6,096
Other payables and accruals		<b>3,481</b>	10,299
Loans from fellow subsidiaries		<b>73,593</b>	23,799
Lease liabilities		<b>274</b>	370
		<hr/>	<hr/>
Total current liabilities		<b>79,341</b>	40,564
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>187,110</b>	210,369

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>188,788</b>	217,498
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	<b>763</b>	1,007
<b>Net assets</b>	<b>188,025</b>	216,491
<b>EQUITY</b>		
Issued capital	<b>107,420</b>	107,420
Reserves	<b>80,605</b>	109,071
<b>Total equity</b>	<b>188,025</b>	216,491

## NOTES:

### 1. CORPORATE INFORMATION AND BASIS OF PREPARATION

#### Principal activities

The Group was involved in the following principal activities:

- Distribution of branded analytical and laboratory instruments and life science equipment and the provision of related repair and maintenance services (the “**Distribution Business**”)
- Trading and supply chain business on diversified industrial and consumer products (the “**Supply Chain Business**”)

#### Basis of preparation of this announcement

This announcement has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”). They have been prepared under the historical cost convention, except for equity investment at fair value through other comprehensive income, which has been measured at fair value. This announcement is presented in Hong Kong dollar (HK\$) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

#### Impacts of new and revised IFRSs

The Group has adopted the following revised IFRSs for the first time for the current year’s financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

None of the above revised IFRSs has had a significant financial effect on the Group’s financial statements.

### 3. OPERATING SEGMENT INFORMATION

#### Operating segment information

For management purposes, the Group is organised into business units based on the nature of their products and services and has two reportable operating segments as follows:

- (a) the Distribution Business segment which is engaged in the provision of distribution and after-sales services for different analytical instruments, life science and general laboratory instruments; and
- (b) the Supply Chain Business segment which is engaged in the trading of diversified industrial and consumer products.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, non-lease-related finance costs, depreciation and amortisation, as well as head office and corporate expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	Distribution Business		Supply Chain Business		Total	
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	<u>12,518</u>	<u>55,619</u>	<u>71,588</u>	<u>5,369</u>	<u>84,106</u>	<u>60,988</u>
Segment results	<u>(14,981)</u>	<u>(48,223)</u>	<u>(7,785)</u>	<u>(199)</u>	<u>(22,766)</u>	<u>(48,422)</u>
Interest income					289	498
Interest expenses					(1,292)	(3,200)
Depreciation and amortisation					(1,815)	(1,903)
Corporate administrative expenses					<u>(1,256)</u>	<u>(9,172)</u>
Loss before tax					<u>(26,840)</u>	<u>(62,199)</u>

## Geographical information

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Revenue from external customers:</i>		
PRC (including Hong Kong and Macau)	49,204	60,988
Asia (other than the PRC)	33,651	–
Oceania	1,251	–
	<u>84,106</u>	<u>60,988</u>

No geographical information about the Group's non-current assets is presented as more than 90% of the Group's non-current assets as at the end of each of these periods were located in the PRC (including Hong Kong and Macau).

## Information about major customers

The revenue generated from sales to each of the customers which individually contributed more than 10% of the Group's total revenue during the year is set out below:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A from the Supply Chain Business segment	36,686	N/A*
Customer B from the Supply Chain Business segment	33,651	N/A*
Customer C from the Distribution Business segment <sup>#</sup>	10,571	24,714

\* The corresponding revenue of these customers is not disclosed as they individually did not contribute 10% or more of the Group's total revenue for the relevant year.

<sup>#</sup> During the year ended 31 December 2021, one single customer from the Distribution Business segment contributed 10% or more of the Group's revenue and the revenue derived from the sales to this customer amounted to HK\$10,571,000 (2020: HK\$24,714,000). Messrs. Lo Yat Keung and Chan Wai Shing, both being key management personnel of the Group and connected persons as defined under Chapter 14A of the Listing Rules up to 30 September 2019, have beneficial interests in this customer.

## 4. REVENUE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Revenue from contracts with customers:</i>		
Sales of goods	84,106	52,947
Repair and maintenance service income	–	8,041
	<u>84,106</u>	<u>60,988</u>



Notes:

**Disaggregated revenue information**

*For the year ended 31 December 2021*

	<b>Distribution Business HK\$'000</b>	<b>Supply Chain Business HK\$'000</b>	<b>Total HK\$'000</b>
<b>Types of goods or services and point of revenue recognition</b>			
Sales of goods, recognised at the point in time	<b>12,518</b>	<b>71,588</b>	<b>84,106</b>
<b>Geographical markets</b>			
PRC (including Hong Kong and Macau)	<b>12,518</b>	<b>36,686</b>	<b>49,204</b>
Asia (other than the PRC)	–	<b>33,651</b>	<b>33,651</b>
Oceania	–	<b>1,251</b>	<b>1,251</b>
Total revenue from contracts with customers	<b>12,518</b>	<b>71,588</b>	<b>84,106</b>

*For the year ended 31 December 2020*

	<b>Distribution Business HK\$'000</b>	<b>Supply Chain Business HK\$'000</b>	<b>Total HK\$'000</b>
<b>Types of goods or services and point of revenue recognition</b>			
Sales of goods, recognised at the point in time	47,578	5,369	52,947
Repair and maintenance service income, recognised over time	8,041	–	8,041
Total revenue from contracts with customers	<b>55,619</b>	<b>5,369</b>	<b>60,988</b>
<b>Geographical markets</b>			
PRC (including Hong Kong and Macau)	<b>55,619</b>	<b>5,369</b>	<b>60,988</b>

## 5. OTHER INCOME AND GAINS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Other income</b>		
Bank interest income	289	498
Remedy for late payment	66	–
Government subsidies	80	234
	<u>435</u>	<u>732</u>
<b>Gains</b>		
Gain on a lease modification	–	84
Gain on termination of a lease	–	10
	<u>–</u>	<u>94</u>
	<u><u>435</u></u>	<u><u>826</u></u>

## 6. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on loans from fellow subsidiaries	1,292	1,744
Interest on lease liabilities	61	92
Interest on bank loans and bank overdrafts	–	228
Interest on loans from a shareholder	–	1,228
	<u>1,353</u>	<u>3,292</u>

## 7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories sold	<b>80,865</b>	57,453
Depreciation of items of property, plant and equipment	<b>641</b>	513
Depreciation of right-of-use assets	<b>402</b>	618
Amortisation of computer software	<b>772</b>	772
Provision for inventories <sup>@</sup>	–	5,862
Write-off of inventories <sup>@</sup>	<b>11,537</b>	–
Impairment losses of items of property, plant and equipment <sup>@</sup>	<b>273</b>	–
Impairment losses of computer software <sup>@</sup>	<b>772</b>	–
Impairment losses/(reversal of impairment losses) of financial assets, net:		
Write-off a trade deposit <sup>#</sup>	–	3,031
Write-off of trade receivables <sup>#</sup>	<b>609</b>	–
Trade receivables <sup>#</sup>	<b>(5,673)</b>	7,517
Other receivables <sup>#</sup>	<b>474</b>	2,174
	<u><b>(4,590)</b></u>	<u>12,722</u>
Charges for warehouse storage and logistic services <sup>^</sup>	<b>8,160</b>	–
Cost of product warranty service <sup>&amp;</sup>	–	25,000
	<u><b>8,160</b></u>	<u>25,000</u>

<sup>@</sup> These items are included in “Other expenses, net” on the face of the consolidated statement of profit or loss and other comprehensive income.

<sup>#</sup> This item is included in “Reversal of impairment losses/(impairment losses) of financial assets, net” on the face of the consolidated statement of profit or loss and other comprehensive income.

<sup>^</sup> This item is included in “Other expenses, net” on the face of the consolidated statement of profit or loss and other comprehensive income, except for an amount of HK\$129,000 which is included in “Cost of sales”.

<sup>&</sup> This item is included in “Other expenses, net” on the face of the consolidated statement of profit or loss and other comprehensive income, except for an amount of HK\$2,164,000 which is included in “Cost of sales”.

## 8. INCOME TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current – PRC		
Charge for the year	<u>112</u>	<u>–</u>

## 9. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

## 10. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to shareholders of the Company of HK\$26,952,000 (2020: HK\$62,199,000), and the weighted average number of ordinary shares of 275,437,000 (2020: 275,437,000) in issue during the year.

No adjustment has been made to the basic loss per share amount presented for each of the years ended 31 December 2021 and 2020 for a dilution as the Group had no potential ordinary shares in issue during these years.

## 11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred HK\$727,000 (2020: HK\$67,000) for the acquisition of property, plant and equipment.

## 12. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Less than 90 days	56,000	29,045
91 to 120 days	–	109
121 to 365 days	8,105	1,193
1 to 2 years	–	5,408
Over 2 years	<u>–</u>	<u>705</u>
	<u>64,105</u>	<u>36,460</u>

**13. TRADE PAYABLES**

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

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 60 days	<b>1,993</b>	5,782
Over 1 year	—	314
	<u>1,993</u>	<u>6,096</u>
	<u><b>1,993</b></u>	<u><b>6,096</b></u>

## **BUSINESS REVIEW**

For the year ended 31 December 2021, the principal activities of Yunnan Energy International Co Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) are: (1) the provision of distribution and after-sales services in the PRC for different analytical 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 (the “**Distribution Business**”); and (2) the trading and supply chain business on diversified industrial and consumer products (the “**Supply Chain Business**”).

### **Distribution Business**

The Distribution Business is mainly conducted through identifying the demands of the Group’s existing and potential customers (including specification of products, price that the customers can afford, etc), sourcing the products from various suppliers and supplying the products to the customers. The Group also provides after-sales services such as testing, training and maintenance services for the products sold. There is no change in the business model of the Distribution Business during the year.

The customers of the Distribution Business mainly consist of a variety of businesses and institutions, including universities, research institutions, companies in the industrial sector and government agencies. More than 90% of the customers were users or distributors in the PRC during the year.

Over the years, the Group has been following our extensive customer base in the PRC and a vast sales network associated with the Group’s PRC offices in Beijing, Shanghai and Macau to identify and discuss with the existing and potential customers on product specifications, provision of after-sale services. In the meanwhile, the Group will approach the potential customers through the tender activities and exhibition.

For the year ended 31 December 2021 (“**FY2021**”), the revenue from the Distribution Business decreased by HK\$43.1 million or 77.5% to HK\$12.5 million from HK\$55.6 million for the year ended 31 December 2020 (“**FY2020**”) due to the reasons as explained below.

For FY2021, revenue from the Distribution Business decreased significantly as compared to FY2020 as the business was affected by the continuous of novel coronavirus disease (“**COVID-19**”). Sales personnel had to reduce their sales activities while the customers also delayed or suspended the purchase of relevant equipment in view of the pandemic prevention work. In addition, in response to the sophisticated environment under the strict COVID-19 pandemic prevention and control mechanism accompanied by an accelerated slowdown of the macro-economy in the PRC, the Group decided to preserve working capital and reduce operational risk in terms of streamlining its sales team to reduce staff costs especially in the sales region where the contribution rate was lower.

## Supply Chain Business

In 2021, the Group, through Shenzhen Yunneng International Supply Chain Limited, a wholly-owned subsidiary of the Company, continues to conduct the Supply Chain Business, primarily relating to construction materials, agricultural commodities, and medical devices, in response to market changes brought by the COVID-19 pandemic and the ratification of Regional Comprehensive Economic Partnership (RCEP) and to broaden its revenue stream. The Supply Chain Business is mainly conducted through identifying the requirements of the Group's existing and potential customers (including specification of products, price that the customers can afford, etc), the Group will then source products from various suppliers and supply the products to the customers.

The customers of the Supply Chain Business mainly consist of state-owned companies and companies in the industrial sector, including a company engaged in the production and processing of stainless steel pipes in Vietnam, a company engaged in the trading and supply of coffee beans and powder in Yunnan, and companies in hardware, rubber tyres, and other agricultural commodities.

The Group leverages on its extensive customer base established through the Distribution Business over 30 years of operation, the extensive experience and network in the international supply chain sector of its management and staff, together with the support from the controlling shareholder of the Company, Yunnan Provincial Energy Investment Group Co., Ltd. (the "**YEI Group**"), to identify different potential customers for its Supply Chain Business. In addition, the Group will participate in tender or quotation invitations from the existing and potential customers in both government and non-government sectors, and open tender for the provision of supply chain services.

In FY2021, the revenue from the Supply Chain Business increased by HK\$66.2 million or 1,233.3% to HK\$71.6 million from HK\$5.4 million for FY2020.

The Group's total revenue increased by HK\$23.1 million or 37.9% to HK\$84.1 million from HK\$61.0 million for FY2020, mainly attributable to the increase in revenue from sales of goods in the Supply Chain Business as the Group continues to develop the Supply Chain Business, and aims to extend our business to cover not only construction materials and medical devices, but also agricultural commodities to meet the customers' needs.

The Group's loss for FY2021 decreased by 56.7% to HK\$27.0 million from HK\$62.2 million in FY2020 mainly due to (i) the increase of revenue of the Supply Chain Business; (ii) the decrease in impairment losses on trade receivables; and (iii) the decrease in operating expenses.

## **FINANCIAL REVIEW**

### **Consolidated Statement of Profit or Loss and other Comprehensive Income**

The reason for the declining financial performance of the Distribution Business from 2018 to 2019 was due to the downward trend of the global economy growth and economic uncertainties caused by ongoing United States-PRC trade argument in 2019, the Company purchased more inventories from other suppliers which are located in the Asia Pacific region. The Company concentrated the sales activities among the Beijing, Shanghai and Guangzhou as the change of suppliers, the number of the sales offices of the Distribution Business in the PRC has been reduced as a result of reduced demand from the Group's customers and from the Group's cost control consideration, thus affecting the Group's sales and after-sales service capabilities. The downsized salesforce has inevitably led to a weaker connection with current and potential customers for the discussion of product specifications and provision of after-sales service. This ultimately led to the decrease in revenue of the Distribution Business.

The key value for the Distribution Business lies in the provision of technical services to the Group's customers, including design of system specifications, formulation of testing standard requirements against customers' budgets, installation of equipment and relevant systems, on-site after-sale services, etc. Owing to the outbreak of COVID-19 in 2020 and government restriction orders and social distancing guidelines in the PRC, it became much more difficult for the Group to conduct face-to-face services to the Group's customers, which is considered a key component of the Group's Distribution Business due to its technical nature. Sales personnel had to reduce their sales activities while the clients also delayed or suspended the purchase of relevant equipment in view of the pandemic prevention work. To preserve working capital to survive the storm, we streamlined our sales team to reduce staff costs and closed a number of sales offices of the Distribution Business in the PRC. This also contributed to the decrease in revenue of the Distribution Business.

As benefit from the Distribution Business over 30 years of operation, the extensive experience and network in the international supply chain sector of its management and staff, the financial performance of the Supply Chain Business has been improved, the revenue of the Supply Chain Business in FY2021 increased by 1233.3% to HK\$71.6 million from HK\$5.4 million in FY2020.

Despite the changes to the Company's directors and management in recent years and the Company's new management team needed time to reconsider and review the business operation and direction of the Group, the financial performance of the Company had been improved in FY2021 as the financial result of the Supply Chain Business has provided more contribution to improve the level of revenue of the Group.



### ***Revenue***

Revenue in FY2021 increased by 37.9% to HK\$84.1 million from HK\$61.0 million in FY2020, mainly attributable to the higher revenue contribution from the Supply Chain Business, partly offset by the drop in revenue from the Distribution Business, as explained above.

### ***Cost of sales***

Cost of sales in FY2021 increased by 35.9% to HK\$81.0 million from HK\$59.6 million in FY2020. The increase was in line with the revenue growth.

### ***Gross profit and gross profit margin***

The gross profit in FY2021 increased by 127.0% to HK\$3.1 million from HK\$1.4 million in FY2020. The gross profit margin in FY2021 was 3.7% compared to 2.2% in FY2020. The gross profit margin increased mainly due to the increased revenue contribution from the Supply Chain Business which enjoys a higher gross profit margin in FY2021.

### ***Other income and gains***

Other income and gains in FY2021 decreased by 47.3% to HK\$0.4 million from HK\$0.8 million in FY2020. The decrease was mainly due to the decrease of bank interest income in FY2021.

### ***Selling and distribution expenses***

Selling and distribution expenses in FY2021 decreased by 52.2% to HK\$2.0 million from HK\$4.3 million in FY2020, mainly due to lower staff costs as a result of the reduction in sales personnel in the Distribution Business and cost savings in freight and agency fee as a result of decreased sales activities.

### ***Administrative expenses***

Administrative expenses in FY2021 decreased by 16.5% to HK\$12.5 million from HK\$14.9 million in FY2020, mainly due to the further decrease in staff costs and business trip expenses, etc. which is attributable to cost controls as well as the decrease in foreign exchange differences and depreciation of right-of-use assets.

### ***Other expenses, net***

Other expenses, net in FY2021 decreased by 27.3% to HK\$21.2 million from 29.2 million in FY2020, mainly due to the absence of the cost of product warranty service in FY2021, which is partly offset by the increase of the write-off of inventories and the charges of warehouse storage and logistics service.

### ***Finance costs***

Finance costs in FY2021 decreased by 58.9% to HK\$1.4 million from HK\$3.3 million in FY2020, mainly due to the combined effect of repayment of loan from a shareholder at the end of FY2020 and the draw down of loan from a fellow subsidiary in the last quarter of FY2021, resulting a lower average loan principal amount during FY2021 which leads to lower loan interest.

### ***Loss for the year***

In view of the above, the Group's loss for FY2021 decreased by 56.7% to HK\$27.0 million from HK\$62.2 million in FY2020.

## **Consolidated Statement of Financial Position**

### ***Inventories***

Inventories decreased by HK\$15.0 million from HK\$21.4 million as at 31 December 2020 to HK\$6.4 million as at 31 December 2021, mainly due to the logistical efficiency on the Supply Chain Business to keep a lower level of inventories and the write-off of long-aged inventories.

### ***Trade receivables***

Trade receivables increased by HK\$27.6 million from HK\$36.5 million as at 31 December 2020 to HK\$64.1 million as at 31 December 2021, mainly due to the increase in trade receivables of the Supply Chain Business which are less than 90 days as a result of increase in revenue.

### ***Trade payables***

Trade payables decreased by HK\$4.1 million from HK\$6.1 million as at 31 December 2020 to HK\$2.0 million as at 31 December 2021, mainly due to the decrease in trade payables of the Supply Chain Business which are less than 60 days. The decrease in trade payables was resulted from a reduction in trade payables turnover days.

## **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 announcement, there were no significant investments held by the Group as at 31 December 2021, nor were there other material acquisitions and disposals of subsidiaries, associates and joint ventures by the Group during FY2021. Apart from those disclosed in this announcement, there was no other plan authorised by the Board for other material investments or additions of capital assets at the date of this announcement.

## **PLEDGE OF ASSETS**

The Group did not have any charges on its assets as at 31 December 2021.

## **CONTINGENT LIABILITIES AND CAPITAL COMMITMENT**

The Group did not have any material contingent liabilities or capital commitment as at 31 December 2021 and 2020.

## **EXPOSURE TO FLUCTUATIONS ON EXCHANGE RATES**

The Group's transactions are mainly denominated in United States dollars, 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.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 December 2021, the Group's net current assets amounted to HK\$187.1 million (2020: HK\$210.4 million), of which the bank balances and cash were HK\$103.1 million (2020: HK\$115.7 million). The Group's current ratio was 3.4 (2020: 6.2).

Total loan from fellow subsidiaries as at 31 December 2021 was HK\$73.6 million (2020: HK\$23.8 million). All the Group's loan from fellow subsidiaries were denominated in Renminbi. The Group's gearing ratio stood at 39.1% as at 31 December 2021 (2020: 11.0%), 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.

## **PROSPECTS**

The Company will continue to focus on both the Distribution Business and Supply Chain Business, with a view to increasing its business scale and broadening the customer base, which in turn will increase revenue contribution from such businesses and generate returns for its shareholders. In this connection, the Company has formulated detailed business plans in the upcoming financial years, as further discussed below:

## **Distribution Business**

In addition to its existing customer base in the PRC, the Group plans to make use of the well-established resources and extensive marketing network/business relationship of the YEI Group, to expand the Distribution Business in regions of the PRC, particularly in the Southwest China regions where the YEI Group has strong presence. Set out below is a summary of the key business plans:

- Given the continuous easing of COVID-19 situation in the PRC, the Group plans to pick up its sales activities in the Southwest China regions, including Yunnan Province and recruit additional sales personnel and technical support team for the sales and tender activities as well as after-sales support. In January 2022, the Group has incorporated the Yunnan branch to support the growth of the Distribution Business and continue to develop the Supply Chain Business. The Group is recruiting more staffs to support this new branch. The above action plans aim to consolidate the relationships with the existing and potential customers, and capitalise market demand to expand the business activities, for example, by leveraging the YEI Group's customer base in the different sectors, including energy, salt chemical manufacturing and healthcare industries and other governmental organisations that form a part of the customer base under current Distribution Business. Although sales and after-sales activities have been inevitably affected by COVID-19, especially due to the very technical nature of the products of the Distribution Business where on-site discussion and training are often preferred, various non-face-to-face approaches (including video conferencing or remote/online training services) will also be implemented for the recovery of the business operations as negatively affected by COVID-19;
- Extension of a wider range of product and service offerings that meet the demands from the existing and potential customers in different industries, and such products may include updated version of spectrophotometer. In particular, the Group is going to approach potential customers in the business sectors that the YEI Group is operating in order to fulfill their demands and provide additional revenue stream for the Group, such as the sourcing of machinery and instruments in the petrochemical gas chromatography solution that are used in production activities of customers in the energy, salt chemical manufacturing and healthcare industries; and
- Discussion with third party suppliers in relation to the provision of distribution and after-sales services in the provinces and cities in the PRC which the Group do not currently has business presence, including the regions in the Southwest China that have not yet been explored by the Group in the past. Yunnan branch has been established to capitalise demand of the products of the Distribution Business by new customers.

## Supply Chain Business

The Group conducts detailed review of its operations and makes adjustment to its sales strategies to explore new potential projects, enhance its revenue stream and improve its profitability from time to time. Accordingly, the Group has been actively developing the Supply Chain Business in both domestic and overseas markets. The Company also strives to capture potential opportunities for the Supply Chain Business through its management team's extensive experience (particularly relating to international trade and energy projects) and business network. Set out below is a summary of the key business plans:

- In June 2021, the Group entered into a one-year framework supply agreement with an independent Vietnam customer (which is principally engaged in the production and processing of stainless steel pipes), pursuant to which the Group will supply construction related materials, including stainless steel pipes, to its companies and customers in Vietnam. The products manufactured by its companies are sold to over 60 countries worldwide, such as the United States, Canada, India, Mexico, Sri Lanka, Brazil, the Philippines, Germany and the Netherlands. The Company is able to secure a stable supply a wide range of high quality stainless steel pipes in the PRC, with its seasoned management team's business network. On the basis of the above, the Group is going to maintain a long-term cooperative relationship with the customer through the renewal of the framework supply agreement to fully guarantee the sustainability of the Supply Chain Business in 2022;
- The Group has been participating in various tender activities from time to time, in order to further extend the Supply Chain Business in different industrial sectors and regions. In September 2021, the Group has successfully won the open tender for the supply contract of 50,000 tonnes of steam coal for Company A. Company A is a subsidiary of Company B which is one of the five largest power generation groups in PRC, and has a good cooperative relationship with the YEI Group in the energy field. Because the Ministry of Commerce of PRC implements a quota management system for imported coal, the energy central enterprises of Company B has huge demand for coal imports every year. Given the solid foundation of cooperation between the YEI Group and Company B in the past and the Group and its management team's sufficiently excellent qualifications, capital and resources in the international Supply Chain Business, the Group passed the qualification review and subsequently won the abovementioned open tender. Due to the market price of the steam coal has a significantly increase since the last quarter of 2021, the open tender for the supply contract of 50,000 tones was suspended. Except for the steam coal business, the Group also starts to expand the trade of coking coal in the PRC in 2021 to expand the Supply Chain Business.

- In addition to the energy-related Supply Chain Business which is mentioned above, as the Supply Chain Business has gradually garnered its recognition among customers, the Group has made full use of the influence and resource advantage of our controlling shareholders in the Southwest region and attempted to seek diligently the potential opportunity for the Supply Chain Business in the three advantageous industries of “green energy, green food, healthy life destination” in Yunan Province, expanding our customer base for the Supply Chain Business with regional features, in order to find a diversified Supply Chain Business with sustainable prospects for the Group. Based on the significant growth in the fame of the Group’s Supply Chain Business in the region, the Group was appointed by Group C as their supply chain service provider for their coffee power and coffee beans in December 2021. As a significant export trader for coffee powder and coffee bean in the Southwest region, their annual trade volume of coffee raw materials is approximately RMB600 million. Upon the appointment, the Group has made use of the advantage of our controlling shareholders in the traditional coffee raw materials industry in their respective regions to find immediately for our customers the suppliers who can meet the purchase requirements, and has made use of the advantage in warehousing and logistics accumulated from the previous stainless steel business to find for our customers professional warehouses in which 60 tons of the aforementioned commodities can be appropriately stored in the Yangtze River Delta region. Through our business team’s extensive experience in international commodity trade, the Group is able to complete purchases when the current price is close to the lowest point in the futures market for our customers at a trading price approximately 10% lower than the price one month before and after, which reduces significantly the cost of purchase for our customers.
- The Group’s Supply Chain Business is currently handled by a seasoned management team of 6 persons of the Group, led by Mr. Ma Can, who is graduated from Yunnan University with a master’s degree in business administration. He has the qualifications of customs broker and inspector. He has worked in Cambodia, Laos and other Southeast Asian countries and foreign economic and trade enterprises in Yunnan Province for several years. He has more than 20 years of rich international experience and trade experience and overseas work background, and long been engaged in the import and export trade of coke, coal, machinery and equipment, fertilizers, pesticides, medical and health products. The other management team has an average 4 years of experience in the international supply chain industry. Leveraging on the YEI Group’s business network in overseas markets, the Group plans to set up teams for further development of international Supply Chain Business, not limit to construction materials, medical devices and energy. Under the management organization of Mr. Ma, the Group has formed the seasoned management team with efficient customs declaration advantages and broad trade category advantages, we can still carry out Supply Chain Business despite that the international trade is severely affected by the COVID-19, and win new tenders and the accelerate promotion of potential steel and other trading businesses. The Group continues to expand its business team in response to the increasing level of business activities and market demand in the next 12 months.



The YEI Group is a provincial state-owned enterprise with important influence in the fields of green energy, modern logistics, digital economy and other industries in Yunnan Province and Southwest China. The YEI Group has close cooperative relations with a number of local state-owned enterprises in the region and central enterprises in the industry. Benefited from the strong state-owned enterprise background, industry background, regional influence and financial strength of the YEI Group, the Group has certain competitive advantages in the operation of international supply chain business, such as its strong ability to source stable supply of construction materials, stainless steel and steam coal. The Group will strive to locate and maintain customers with overseas energy import and export needs through the YEI Group and our seasoned management team, such as Company A as discussed above.

The YEI Group actively integrates into the “One Belt One Road” construction of serving the country, builds a “radiation center facing South Asia and Southeast Asia” in southwestern China, and makes full use of its geographical advantages. There are more than 40 overseas organizations, including overseas subsidiaries and 12 commercial representative offices undertaking and managing on behalf of Yunnan Province, in Hong Kong, the United States, France, Singapore, Vietnam, Laos, and Myanmar. The Group will make full use of the above-mentioned overseas network advantages of the YEI Group to create a global supply chain network.

With the help of the YEI Group’s commercial information and local contacts in various regions, we have the access to the commodity price and quality information to match the qualified suppliers with the potential customers. Taking the Vietnam stainless steel project (which is currently carried out by the Group) as an example, with the help of the commercial information gathered by the YEI Group’s commercial representative office in Vietnam, the Group’s seasoned management team was able to obtain the trade demand of domestic stainless steel products in Vietnam and continue to develop the stainless steel’s business. In addition, in respect of the steam coal and coking coal projects, the Group contacted steam coal with competitive prices through the commercial representative office of the YEI Group in the United States and the local contracts, the Group won the bid and is going to extend the coal business.

With the continuous development of the business, the Group will, leveraging on the YEI Group’s existing overseas network, set up a dedicated business team, conduct in-depth exploration of business resources, and enhance its connections with potential customers and supplies in each region. The maintenance of good relationships with suppliers further enhances the competitive advantage and sustainability of the Supply Chain Business.

Given an improving financial performance, with the formulated business plans, the Group expects to leverage on the above-mentioned advantages and resources, strive to diminish the current unfavorable situation, improve operating efficiency, and further create value for shareholders.

## **EMPLOYEES AND EMOLUMENT POLICY**

As at 31 December 2021, there were 17 (2020: 27) employees in the Group. The total staff cost of the Group amounted to approximately HK\$5.7 million for the year ended 31 December 2021. Staff remuneration packages are determined after considering the market conditions and the 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 to eligible staff based on their performance and contributions to the Group.

## **FINAL DIVIDEND**

The Board has not declared a final dividend for the year ended 31 December 2021.

## **ANNUAL GENERAL MEETING**

It is proposed that the 2021 annual general meeting of the Company (the “**AGM**”) will be held on a date to be fixed by the Board. Notice of convening the AGM will be published and despatched to the shareholders of the Company in due course.

## **CLOSURE OF REGISTER OF MEMBERS IN RESPECT OF SHAREHOLDERS’ ENTITLEMENT TO ATTEND THE AGM**

The Company will make a separate announcement to confirm the dates for the closure of register of members of the Company in respect of shareholders’ entitlement to attend the AGM.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During FY2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

## **AUDIT COMMITTEE**

The audit committee of the Board (the “**Audit Committee**”), comprising three independent non-executive Directors, namely Mr. Shi Fazhen, Mr. Liu Zongliu and Ms. Jing Pilin, has reviewed the annual results and the consolidated financial statements of the Group for the financial year ended 31 December 2021, including the review of the accounting principles and practices adopted by the Group, and has also discussed the auditing, internal control and financial reporting matters. The Audit Committee has no disagreement with the accounting principles, treatments and practices adopted by the Group.



## **CORPORATE GOVERNANCE PRACTICE**

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 of the Rules Governing the Listing of Securities on the SEHK (the “**Listing Rules**”).

In the opinion of the Board, the Company has complied with the applicable code provisions of the Hong Kong Code throughout FY2021.

Further information of the corporate governance practices of the Company will be set out in the corporate governance report in the annual report of the Company for FY2021.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuer” (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 FY2021.

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 non-compliance with the Model Code by such employees was noted by the Company during FY2021.

## **SCOPE OF WORK OF THE COMPANY’S AUDITOR IN RESPECT OF THE PRELIMINARY ANNOUNCEMENT**

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 2021 as set out in this announcement have been agreed by the Company’s auditor to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by the Company’s auditor 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 the Company’s auditor on this announcement.

**DISCLOSURE ON THE WEBSITES OF THE EXCHANGES AND THE COMPANY**

This annual results announcement is published on the websites of the SEHK, the SGX-ST and the Company.

The annual report of the Company for FY2021 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the websites of the SEHK, SGX-ST and the Company in due course.

By Order of the Board  
**Yunnan Energy International Co. Limited**  
**Yan Jiong**  
*Director*

Hong Kong, 25 March 2022

*As of the date of this announcement, the Board comprises Mr. YAN Jiong, Mr. HU Xiangwei, Mr. JIANG Wei, Ms. ZHAO Na and Mr. SONG Henan as the executive Directors; and Mr. SHI Fazhen, Mr. LIU Zongliu and Ms. JING Pilin as the independent non-executive Directors.*