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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 2018

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 2018 together with the comparative figures for the year ended 31 December 2017 as follows:

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 US$'000	2017 US$'000 (Restated)
CONTINUING OPERATION			
REVENUE	4	81,335	145,500
Cost of sales		(60,747)	(111,338)
Gross profit		20,588	34,162
Other income and gains, net	5	58	518
Selling and distribution expenses		(5,891)	(10,539)
Administrative expenses		(12,657)	(9,690)
Other expenses		(2,478)	(488)
Finance costs	6	(796)	(552)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATION	7	(1,176)	13,411
Income tax	8	–	(470)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATION		(1,176)	12,941
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	9	(8,340)	(11,955)
PROFIT/(LOSS) FOR THE YEAR		(9,516)	986

	2018	2017
	US$'000	*US$'000*
		(Restated)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods – Exchange differences:		
On translation of foreign operations	1,964	1,550
Reclassification adjustment for gains included in profit or loss upon disposal of subsidiaries through a distribution in specie	(7,246)	–
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	(5,282)	1,550
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods – Actuarial loss of a defined benefit plan	–	(723)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX	(5,282)	827
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	(14,798)	1,813

	Notes	2018 *US$'000*	2017 *US$'000* (Restated)
Profit/(loss) attributable to:			
Shareholders of the Company		(9,386)	1,335
Non-controlling interests		(130)	(349)
		(9,516)	986
Total comprehensive income/(loss) attributable to:			
Shareholders of the Company		(14,665)	2,155
Non-controlling interests		(133)	(342)
		(14,798)	1,813
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic			
– For profit/(loss) for the year	11	(US3.41 cents)	US0.48 cent
– For profit/(loss) from continuing operation	11	(US0.43 cent)	US4.69 cents
Diluted			
– For profit/(loss) for the year	11	(US3.41 cents)	US0.48 cent
– For profit/(loss) from continuing operation	11	(US0.43 cent)	US4.67 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 US$'000	2017 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	383	10,123
Goodwill		–	1,347
Other intangible assets		396	4,362
Equity investment at fair value through other comprehensive income		411	–
Available-for-sale investments		–	450
Deposits paid for acquisition of property, plant and equipment		–	910
Other non-current asset		–	494
Deferred tax assets		–	16
Total non-current assets		1,190	17,702
CURRENT ASSETS			
Inventories		14,042	44,649
Trade and bills receivables	13	27,332	81,586
Prepayments, deposits and other receivables		3,120	7,112
Income tax recoverable		–	366
Cash and bank balances		24,046	14,438
Total current assets		68,540	148,151
CURRENT LIABILITIES			
Trade and bills payables	14	5,769	19,981
Other payables and accruals		6,124	19,636
Income tax payables		313	2,774
Bank borrowings		3,401	36,859
Loan from a shareholder		15,897	–
Total current liabilities		31,504	79,250
NET CURRENT ASSETS		37,036	68,901
TOTAL ASSETS LESS CURRENT LIABILITIES		38,226	86,603

	2018	2017
	US$'000	*US$'000*
NON-CURRENT LIABILITIES		
Bank borrowings	–	3,150
Defined benefit obligations	–	1,192
Deferred tax liabilities	–	146
Total non-current liabilities	–	4,488
Net assets	38,226	82,115
EQUITY		
Equity attributable to shareholders of the Company		
Issued capital	13,772	13,772
Reserves	24,454	69,578
	38,226	83,350
Non-controlling interests	–	(1,235)
Total equity	38,226	82,115

NOTES:

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Principal activities

During the year, the Group was involved in the following principal activities:

- Design, manufacture and sale of analytical and laboratory instruments and life science equipment (the "Manufacturing Business", discontinued during the year – note 9)

- 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 during the year – note 9)

- Distribution of branded analytical and laboratory instruments and life science equipment to the PRC and the provision of related repair and maintenance (the "PRC Distribution 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB").

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

Other than as explained below regarding the impact of IFRS 9 and IFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (continued)

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the consolidated statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

	IAS 39 measurement				IFRS 9 measurement	
	Category	Amount	Reclassification	ECL	Amount	Category
		US$'000	*US$'000*	*US$'000*	*US$'000*	
Financial assets						
Equity investments at fair value through other comprehensive income	N/A	–	450	–	450	FVOCI[1]
From: Available-for-sale investments *(note)*			450			
Available-for-sale investments	AFS[2]	450	(450)	–	N/A	
To: Equity investments at fair value through other comprehensive income *(note)*			(450)	–		
Trade and bills receivables	L&R[3]	81,586	–	(887)	80,699	AC[4]
Financial assets included in prepayments, deposits and other receivables	L&R	4,997	–	–	4,997	AC
Cash and bank balances	L&R	14,438	–	–	14,438	AC
			–	(887)		
Financial liabilities						
Trade and bills payables	AC	19,981	–	–	19,981	AC
Financial liabilities included in other payables and accruals	AC	15,567	–	–	15,567	AC
Bank borrowings	AC	40,009	–	–	40,009	AC
			–	–		

1 FVOCI: Financial assets at fair value through other comprehensive income

2 AFS: Available-for-sale investments

3 L&R: Loans and receivables

4 AC: Financial assets or financial liabilities at amortised cost

Note: The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

2. **CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)**

(a) (continued)

Impairment

The following table reconciles the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9:

	Impairment allowances under IAS 39 at 31 December 2017	**Remeasurement**	**ECL allowances under IFRS 9 at 1 January 2018**
	US$'000	*US$'000*	*US$'000*
Trade and bills receivables	4,112	887	4,999

Impact on retained profits

The impact of transition to IFRS 9 on retained profits is as follows:

	Retained profits
	US$'000
Balance as at 31 December 2017 under IAS 39	50,701
Recognition of expected credit losses for trade and bills receivables under IFRS 9	(887)
Balance as at 1 January 2018 under IFRS 9	49,814

(b) IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) (continued)

The financial impact of IFRS 15 on these financial statements is summarised as follows:

Revenue recognition

(i) Sale of analytical and laboratory instruments and life science equipment with installation services

The Group is engaged in the sale of analytical and laboratory instruments and life science equipment and, incident to these sales, provides installation service for the sale of goods to the customers. Before the adoption of IFRS 15, the installation service was bundled together with the sale of goods and revenue from the sale of goods was recognised when the significant risks and rewards of ownership have been transferred to the customer, generally on delivery of the goods to the customer.

Under IFRS 15, the Group has assessed that the installation service, which is bundled together with the sale of analytical instruments, life science equipment and laboratory instruments to a customer, is not identified as a separate performance obligation as, in the opinion of the directors, it is not significant in the context of the contract as a whole. Based on this, upon adoption of IFRS 15, the Group continues to recognise revenue when the goods have been delivered to the customers, which is the point in time when control of the goods is transferred to the customer. Accordingly, the adoption of IFRS 15 does not have an impact on the revenue recognition in respect of sale of analytical and laboratory instruments and life science equipment.

(ii) Provision of repair and maintenance services

Incidental to the sale of analytical and laboratory instruments and life science equipment, the Group also provides related repair and maintenance services to customers. Before the adoption of IFRS 15, revenue from the provision of these services was recognised when the services have been rendered. Under IFRS 15, revenue from repair and maintenance services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The input method recognises revenue on the basis of labour time spent on the services. Given that a repair and maintenance service order is generally completed within a short period of time, the revenue from the provision of the repair and maintenance services is recognised when the services have been rendered. Accordingly, the adoption of IFRS 15 does not have an impact on the revenue recognition in respect of the provision of repair and maintenance services.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) (continued)

Classification of consideration received from customers in advance

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance for the sale of analytical and laboratory instruments and life science equipment as customers' deposits which is included in other payables and accruals. Under IFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

Therefore, upon adoption of IFRS 15, the Group reclassified US$7,551,000 from customers' deposits to contract liabilities as at 1 January 2018, which were both recorded under other payables and accruals, in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under IFRS 15, US$4,998,000 was classified as contract liabilities instead of customers' deposits in relation to the consideration received from customers in advance for the sale of analytical and laboratory instruments and life science equipment with installation service.

3. OPERATING SEGMENT INFORMATION

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 during each of the years ended 31 December 2018 and 2017, and more than 90% of the Group's total assets as at the end of each of these years 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 years ended 31 December 2018 and 2017 were 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 years were located in the PRC (including Hong Kong and Macau).

Information about major customers

During each of the years ended 31 December 2018 and 2017, the Group had no single external customer which contributed over 10% of the Group's total revenue from the continuing operation for each of these years.

4. REVENUE

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

	2018	2017
	US$'000	*US$'000*
		(Restated)
Sales of goods	74,842	140,425
Repair and maintenance service income	6,493	5,075
	81,335	145,500

5. OTHER INCOME AND GAINS, NET

An analysis of the Group's other income and gains, net from the continuing operation is as follows:

	2018	2017
	US$'000	*US$'000*
		(Restated)
Foreign exchange gain, net	–	10
Gain on disposal of items of property, plant and equipment, net	–	362
Bank interest income	58	17
Others	–	129
	58	518

6. FINANCE COSTS

Finance costs from the continuing operation during the years ended 31 December 2018 and 2017 were interest on bank loans and bank overdrafts.

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

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

	2018	**2017**
	US$'000	*US$'000*
		(Restated)
Cost of inventories sold	60,747	111,338
Depreciation	200	310
Amortisation of other intangible assets*	99	–
Foreign exchange loss/(gain), net	346	(10)
Provision for inventories**	700	–
Impairment of trade receivables, net**	1,253	–
Loss/(gain) on disposal of items of property, plant and equipment, net	3**	(362)

* The amortisation of other intangible assets for the year are included in "Administrative expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

** These items are included in "Other expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

8. INCOME TAX

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

	2018	**2017**
	US$'000	*US$'000*
Current – PRC	–	470
Current – Elsewhere	19	34
Deferred	–	(6)
	19	498
Attributable to:		
Continuing operation	–	470
Discontinued operations	19	28
	19	498

9. DISTRIBUTION IN SPECIE AND DISCONTINUED OPERATIONS

	2018	2017
	US$'000	*US$'000*
Distribution in specie	29,662	–

As approved by the shareholders of the Company at a special general meeting held on 17 July 2018, the Group distributed all of its equity interest 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 fulfill 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 and the retained profits of the Group was reduced by US$29,662,000, which is the fair value of the shares of Techcomp Instrument Limited disposed of by the Group.

Further details of the distribution in specie are set out in the Company's circular dated 29 June 2018 and announcement dated 14 August 2018.

The Group's Manufacturing Business and Overseas Distribution Business, being a major separate business segment of the Group, were solely undertaken by the Techcomp Instrument Group. Accordingly, the Manufacturing Business and Overseas Distribution Business of the Group were discontinued upon the completion of the distribution in specie.

9. DISTRIBUTION IN SPECIE AND DISCONTINUED OPERATIONS (CONTINUED)

(a) The results of the discontinued operations dealt with in the consolidated financial statements for the years ended 31 December 2018 and 2017 are summarised as follows:

	2018	**2017**
	US$'000	*US$'000*
Revenue	51,253	53,874
Other income and gains, net	392	575
Expenses	(58,385)	(66,376)
Loss before tax of the discontinued operations	(6,740)	(11,927)
Income tax related to loss before tax of the discontinued operations	(19)	(28)
Loss after tax of the discontinued operations	(6,759)	(11,955)
Loss on disposal of the discontinued operations by way of a distribution in specie	(1,581)	–
Loss for the year from the discontinued operations	(8,340)	(11,955)
Attributable to:		
Shareholders of the Company	(8,210)	(11,606)
Non-controlling interests	(130)	(349)
	(8,340)	(11,955)

(b) Loss per share from the discontinued operations

Basic and diluted loss per share from the discontinued operations	(US2.98 cents)	(US4.21 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 years ended 31 December 2018 and 2017 had an anti-dilutive effect on the basic loss per share amounts presented.

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

	2018	**2017**
Loss for the year attributable to shareholders of the Company from the discontinued operations (US$'000)	8,210	11,606
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	275,437,000	275,437,000

10. DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: Nil).

11. EARNINGS/(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 year attributable to shareholders of the Company and the weighted average number of ordinary shares of 275,437,000 (2017: 275,437,000) in issue during the year.

In respect of the year ended 31 December 2018, no adjustment has been made to the basic loss per share amounts presented in respect of a dilution as the impact of the share options outstanding during the year had an anti-dilutive effect on the basic loss per share amounts presented.

In respect of the year ended 31 December 2017, the calculation of the diluted earnings per share amounts is based on the profit for the year 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 year, 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.

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

Earnings/(loss)

	2018	**2017**
	US$'000	*US$'000*
		(Restated)
Profit/(loss) for the year attributable to shareholders of the Company, used in the basic and diluted earnings/(loss) per share calculation:		
From a continuing operation	(1,176)	12,941
From discontinued operations	(8,210)	(11,606)
	(9,386)	1,335

Number of ordinary shares	**Number of shares**	
	2018	**2017**
Weighted average number of ordinary shares in issue during the year, used in the basic earnings/(loss) per share calculation	275,437,000	275,437,000
Effect of dilution of share options – weighted average number of ordinary shares	–	1,781,431
Weighted average number of ordinary shares in issue during the year, used in the diluted earnings/(loss) per share calculation	275,437,000	277,218,431

12. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred US$6,024,000 (2017: US$1,201,000) on the acquisition of property, plant and equipment.

13. TRADE AND BILLS RECEIVABLES

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:

	2018	**2017**
	US$'000	*US$'000*
Less than 90 days	9,132	58,430
91 to 120 days	1,302	12,894
121 to 365 days	4,772	3,301
1 to 2 years	9,915	5,756
Over 2 years	2,211	1,205
	27,332	81,586

14. 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:

	2018	**2017**
	US$'000	*US$'000*
Less than 60 days	5,272	17,880
61 to 180 days	436	1,709
181 to 365 days	–	86
Over 365 days	61	306
	5,769	19,981

15. COMPARATIVE AMOUNTS

The comparative consolidated statement of profit or loss and other comprehensive income has been re-presented as if the operations discontinued during the current year had been discontinued at the beginning of the comparative period. In addition, certain comparative amounts have been reclassified to conform to the current year's presentation and disclosures.

BUSINESS REVIEW

Change of Company Name

Pursuant to a special resolution passed at the special general meeting of the Company held on 18 October 2018 and approved by the Registrar of Companies in Bermuda and the Registrars of Companies in Hong Kong, the name of the Company was changed from "Techcomp (Holdings) Limited" to "Yunnan Energy International Co. Limited" and the Chinese name "雲能國際股份有限公司" has been adopted and registered as the new secondary name of the Company in place of "天美(控股)有限公司"

Group Re-organisation

(a) Unconditional Mandatory Cash Offers and the Placing of Share by the Controlling Shareholder

Reference is made to (i) the composite offer and response document (the "**Listco Offer Document**") jointly issued by Baodi International Investment Company Ltd (the "**Offeror**") and the Company on 21 August 2018 and the announcement jointly issued by the Offeror and the Company on 11 September 2018 and 12 September 2018 respectively, in relation to, among other things, the results of the Listco Offers (as defined in the Listco Offer Document).

Immediately upon the close of the Listco Offers, the Offeror and the parties acting in concert with it became the controlling shareholder of the Company and held an aggregate of 261,793,955 Shares, representing approximately 95.05% of the issued share capital of the Company as at the closing of the Listco Offers. As stated in the Listco Offer Document, it is the intention of the Offeror to, by leveraging the established business network and financial resources of Yunnan Provincial Energy Investment Group Co., Ltd., continue and expand the continuing operations of the Company after the close of the Listco Offers.

In order to assist the Company to restore the public float, the Offeror had entered into a placing agreement for the placing of 60,957,000 Shares (the "**Placing Shares**") held by the Offeror at a placing price of HK$3.267 per Placing Share (the "**Placing**"). For details, please refer to the Company's announcement dated 3 December 2018.

(b) Completion of the Placing and Restoration of Public Float

As disclosed in the Company's announcement dated 10 December 2018, the Company was informed by the Offeror that completion of the Placing took place on the same date. Immediately upon completion of the Placing, a total of 74,240,005 Shares, representing 26.95% of the issued share capital of the Company as at the completion date of the Placing and the date of this announcement, are held by the public.

For the year ended 31 December 2018 ("**FY2018**"), the Group's revenue decreased by US$64.2 million or 44.1% to US$81.3 million from US$145.5 million for the year ended 31 December 2017("**FY2017**"), mainly attributable to the drop in orders.

The Group recorded attributable loss of US$9.5 million in FY2018 compared to profit of US$1.0 million in FY2017 mainly due to the decrease in gross profit by US$13.6 million in FY2018 resulting from the decline in revenue.

FINANCIAL REVIEW

Consolidated Statement of Profit or Loss and other Comprehensive Income

Revenue

Revenue in FY2018 decreased by 44.1% to US$81.3 million from US$145.5 million in FY2017, mainly attributable to the drop in orders.

Cost of sales

Cost of sales in FY2018 decreased by 45.5% to US$60.7 million from US$111.3 million in FY2017. The decrease was attributable to decline of revenue as well as the decrease in materials costs.

Gross profit and gross profit margin

The gross profit in FY2018 decreased by 39.8% to US$20.6 million from US$34.2 million FY2017. The gross profit margin in FY2018 was 25.3% compared to 23.5% in FY2017.

Other income and gains, net

Other income and gains, net in FY2018 decreased by 80.0% to US$0.1 million from US$0.5 million in FY2017. The decrease was mainly due to a gain on disposal of property, plant and equipment of US$0.4 million which was recorded in FY2017.

Selling and distribution expenses

Selling and distribution expenses in FY2018 decreased by 43.8% to US$5.9 million from US$10.5 million in FY2017, mainly due to the cost saving after the completion of the distribution in specie of shares in the subsidiaries.

Administrative expenses

Administrative expenses in FY2018 increased by 30.9% to US$12.7 million from US$9.7 million in FY2017, mainly due to the net exchange loss and the professional fee incurred in relation to the Group's re-organisation and the distribution in specie of shares in the subsidiaries.

Other expenses

Other expenses in FY2018 increased by 400.0% to US$2.5 million from US$0.5 million in FY2017. The increase was mainly due to the impairment of trade and bills receivables and provision for inventories which were recorded in FY2018.

Finance costs

Finance costs in FY2018 increased by 33.3% to US$0.8 million from US$0.6 million in FY2017, mainly due to higher average interest rate for the year.

Profit/(loss) for the year

In view of the above, the Group recorded loss of US$9.5 million in FY2018 compared to profit of US$1.0 million in FY2017.

Consolidated Statement of Financial Position

Inventories

Inventories decreased by US$30.6 million from US$44.6 million as at 31 December 2017 to US$14.0 million as at 31 December 2018, mainly due to the lower overall level of inventories held to meet the expected demand.

Trade and bills receivables

Trade and bills receivables decreased by US$54.3 million from US$81.6 million as at 31 December 2017 to US$27.3 million as at 31 December 2018 due to the reduction of the business size after the completion of the distribution in specie of shares in the subsidiaries.

Trade and bills payables

Trade and bills payables decreased by US$14.2 million from US$20.0 million as at 31 December 2017 to US$5.8 million as at 31 December 2018 due to the reduction of the business size after the completion of the distribution in specie of shares in the subsidiaries.

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

The Group completed the distribution in specie of shares in the subsidiaries on 14 August 2018. Save for those disclosed in this announcement, there were no significant investments held by the Group as at 31 December 2018, nor were there other material acquisitions and disposals of subsidiaries by the Group during FY2018. 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 ON ASSETS

The Group did not have any charges on its assets as at 31 December 2018.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Group did not have any material contingent liabilities or capital commitment as at 31 December 2018.

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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2018, the Group's net current assets amounted to US$37.0 million (31 December 2017: US$68.9 million), of which the bank balances and cash were US$24.0 million (31 December 2017: US$14.4 million). The Group's current ratio was 2.2 (31 December 2017: 1.9).

Total bank borrowings, overdrafts and loan from a shareholder as at 31 December 2018 was US$19.3 million (31 December 2017: US$40.0 million). All the Group's bank borrowings, overdraft and loan from a shareholder were denominated in Japanese Yen, United States dollars and Hong Kong dollars. The Group's gearing ratio stood at 50.5% as at 31 December 2018 (31 December 2017: 48.7%), 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 global economic outlook, especially the negotiations between the UK and the European Union on the Brexit turmoil, is still subject to uncertainties and is anticipated to be challenging in 2019. As global uncertainties continue to dominate, the Group will closely observe the changes in political and business environment and continue and expand our 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 of enhancing the Group's business growth and asset base as well as broadening its income stream.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2018, there were 354 (31 December 2017: 865) employees in the Group. 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 and share options to eligible staff based on their performance and contributions to the Group.

FINAL DIVIDEND

The Board has not declared a final divided for the year ended 31 December 2018.

ANNUAL GENERAL MEETING

It is proposed that the 2018 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 FY2018, 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. KE Kasheng and Ms. JING Pilin, has reviewed the annual results and the consolidated financial statements of the Group for the financial year ended 31 December 2018, 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 FY2018, except for the deviations from code provision A.2.1 and A.2.7 of the Hong Kong Code which are 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 of the Company, all independent non-executive directors of the Company 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.

Pursuant to code provision A.2.7 of the Hong Kong Code, the chairman should at least annually hold meetings with the independent non-executive Directors without the presence of the executive Directors. During the year, the Chairman did not hold any meeting with the independent non-executive Directors without the presence of the executive Directors. However, the independent non-executive Directors may call for meetings from time to time and provide feedback to the Chairman to express their views. The Company is of the view that there is efficient communication between the Chairman and the independent non-executive Directors.

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 FY2018.

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 FY2018.

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 FY2018.

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 2018 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 FY2018 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
Zhang Jincan
Director

Hong Kong, 27 March 2019

As of the date of this announcement, the Board comprises Mr. ZHANG Jincan, Mr. JIANG Wei, Ms. ZHAO Na and Mr. HE Junyu as the executive Directors; and Mr. SHI Fazhen, Mr. KE Kasheng and Ms. JING Pilin as the independent non-executive Directors.