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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 UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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 2023 (“HY2023”) together with the comparative figures for the six months ended 30 June 2022 (“HY2022”) as follows:

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

	<i>Notes</i>	Six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue	4	106,779	112,608
Cost of sales		(104,983)	(107,411)
Gross profit		1,796	5,197
Other income and gains, net	5	652	1,024
Selling and distribution expenses		(402)	(1,338)
Administrative expenses		(6,288)	(4,845)
Reversal of impairment losses of financial assets, net		143	1,425
Other expenses, net		(17)	–
Finance costs	6	(1,409)	(1,466)
LOSS BEFORE TAX	7	(5,525)	(3)
Income tax	8	(349)	–
LOSS FOR THE PERIOD		(5,874)	(3)

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
<i>Note</i>	HK\$'000	HK\$'000
OTHER COMPREHENSIVE LOSS		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods</i>		
<i>– Exchange differences:</i>		
On translation of foreign operations	<u>(2,092)</u>	<u>(3,372)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX	<u>(2,092)</u>	<u>(3,372)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u><u>(7,966)</u></u>	<u><u>(3,375)</u></u>
Loss for the period attributable to: Shareholders of the Company	<u><u>(5,874)</u></u>	<u><u>(3)</u></u>
Total comprehensive loss for the period attributable to: Shareholders of the Company	<u><u>(7,966)</u></u>	<u><u>(3,375)</u></u>
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY:	10	
Basic and diluted		
For loss for the period	<u><u>(HK2.13 cents)</u></u>	<u><u>(HK0.001 cents)</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	11	<u>162</u>	<u>126</u>
Total non-current assets		<u>162</u>	<u>126</u>
CURRENT ASSETS			
Inventories		48,160	23,472
Trade receivables	12	77,074	44,555
Prepayments, deposits and other receivables	13	195,454	110,602
Cash and bank balances		<u>46,413</u>	<u>43,090</u>
Total current assets		<u>367,101</u>	<u>221,719</u>
CURRENT LIABILITIES			
Trade payables	14	6,385	5,767
Other payables and accruals		36,679	15,102
Due to a related party		44	177
Loan from an intermediate holding company		<u>160,738</u>	<u>29,416</u>
Total current liabilities		<u>203,846</u>	<u>50,462</u>

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
<i>Notes</i>		
NET CURRENT ASSETS	163,255	171,257
TOTAL ASSETS LESS CURRENT LIABILITIES	163,417	171,383
Net assets	163,417	171,383
EQUITY		
Equity attributable to shareholders of the Company		
Issued capital	107,420	107,420
Reserves	55,997	63,963
Total equity	163,417	171,383

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 and its subsidiaries (collectively, the “Group”) were involved in the following principal activities:

- Distribution of branded analytical and laboratory instruments and life science equipment (the “Distribution Business”)
- Supply chain business on the trading of diversified industrial and consumer products (the “Supply Chain 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 People’s Republic of China (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.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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 2023 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2022.

Application of amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group’s unaudited condensed consolidated financial statements:

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The new and revised IFRSs did not have any significant impact on the financial position on performance of the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. 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.

The chief operating decision maker of the Group (“CODM”, identified as the executive directors of the Company and certain senior 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 profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s profit/loss before tax except that interest income, non-lease-related finance costs, 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.

Segment revenue and results

	Distribution Business		Supply Chain Business		Total	
	30 June		30 June		30 June	
	2023	2022	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	<u>16,367</u>	<u>2,298</u>	<u>90,412</u>	<u>110,310</u>	<u>106,779</u>	<u>112,608</u>
Segment results	<u>151</u>	<u>1,443</u>	<u>(2,705)</u>	<u>2,285</u>	<u>(2,554)</u>	<u>3,728</u>
Interest income					97	183
Interest expenses					(1,409)	(1,446)
Depreciation and amortisation					(21)	(228)
Corporate administration costs					<u>(1,638)</u>	<u>(2,240)</u>
Loss before tax					<u>(5,525)</u>	<u>(3)</u>

Segment assets and liabilities

Segment assets and liabilities information is not disclosed as it is not regularly reviewed by the CODM.

Geographical information

The Group's revenue from external customers, based on location of customers, is detailed below:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PRC (including Hong Kong and Macau)	<u>79,838</u>	<u>36,322</u>
Asia (other than the PRC)	<u>24,846</u>	<u>58,070</u>
Other areas	<u>2,095</u>	<u>18,216</u>
Total	<u>106,779</u>	<u>112,608</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 period is set out below:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A from the Supply Chain Business segment	24,206	N/A*
Customer B from the Supply Chain Business segment	23,397	58,070
Customer C from the Supply Chain Business segment	20,843	N/A*
Customer D from the Supply Chain Business segment	15,173	N/A*

* 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 period.

4. REVENUE

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

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers		
Sale of goods	106,799	112,608

Notes:

- a. Disaggregated revenue information

For the six months ended 30 June 2023

	Distribution Business (unaudited) HK\$'000	Supply Chain Business (unaudited) HK\$'000	Total (unaudited) HK\$'000
Types of goods or services and point of revenue recognition			
Sales of goods, recognised at the point in time	16,367	90,412	106,779
Geographical markets			
PRC (including Hong Kong and Macau)	16,367	63,471	79,838
Asia (other than the PRC)	–	24,846	24,846
Other areas	–	2,095	2,095
Total revenue from contracts with customers	16,367	90,412	106,779

For the six months ended 30 June 2022

	Distribution Business (unaudited) HK\$'000	Supply Chain Business (unaudited) HK\$'000	Total (unaudited) HK\$'000
Types of goods or services and point of revenue recognition			
Sales of goods, recognised at the point in time	2,298	110,310	112,608
Geographical markets			
PRC (including Hong Kong and Macau)	2,298	34,024	36,322
Asia (other than the PRC)	–	58,070	58,070
Oceania	–	18,216	18,216
Total revenue from contracts with customers	2,298	110,310	112,608

- b. No revenue recognised in the current reporting period were included in contract liabilities at the beginning of the reporting period.
- c. No revenue recognised during the six months ended 30 June 2023 and 2022 related to performance obligations satisfied or partially satisfied in previous years.

Performance obligations

The performance obligation for the sale of goods is satisfied upon delivery of the goods and payment is generally due within 60 to 150 days from delivery, except for new customers, where payment in advance is normally required.

5. OTHER INCOME AND GAINS, NET

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

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Other income		
Bank interest income	97	183
Remedy for late payment	44	–
Government subsidies	–	64
	<u>141</u>	<u>247</u>
Gains, net		
Foreign exchange gain, net	<u>511</u>	<u>777</u>
	<u>511</u>	<u>777</u>
	<u>652</u>	<u>1,024</u>

6. FINANCE COSTS

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on loan from an intermediate holding company	1,409	577
Interest on loans from fellow subsidiaries	–	869
Interest on lease liabilities	–	20
	<u>1,409</u>	<u>1,466</u>

7. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	104,983	107,411
Depreciation of items of property, plant and equipment	21	93
Depreciation of right-of-use assets	–	135
Lease payments not included in the measurement of lease liabilities	8	24
Employee benefit expense (excluding directors' remuneration):		
Salaries, allowances and benefits in kind	2,605	1,933
Defined contribution scheme contributions	42	63
	<u>2,647</u>	<u>1,996</u>
Foreign exchange differences, net	(511)	(777)
Reversal of impairment losses of financial assets, net:		
Trade receivables	(143)	(1,425)
	<u>(511)</u>	<u>(1,425)</u>

8. INCOME TAX

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – PRC	<u>349</u>	<u>–</u>

Note:

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

No provision for Hong Kong profits tax and Macau income tax was made as the Group did not have any assessment profits arising from Hong Kong and Macau 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 income tax rate applicable to subsidiaries established in the PRC is 25% (six months ended 30 June 2022: 25%).

9. DIVIDENDS

The Board did not recommend or declare any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 period attributable to shareholders of the Company of HK\$5,874,000 (six months ended 30 June 2022: HK\$3,000) and the weighted average number of ordinary shares of 275,437,000 (six months ended 30 June 2022: 275,437,000) in issue during the period.

No adjustment has been made to the basic loss per share amount presented for each of the periods ended 30 June 2023 and 2022 for a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$62,000 (six months ended 30 June 2022: HK\$ Nil) on acquisition of property, plant and equipment. During the period, the Group did not dispose items of property, plant and equipment (six months ended 30 June 2022: HK\$ Nil).

12. TRADE RECEIVABLES

		30 June 2023	31 December 2022
		(Unaudited)	(Audited)
	<i>Note</i>	HK\$'000	HK\$'000
Trade receivables	(a)	87,108	54,732
Impairment		(10,034)	(10,177)
		77,074	44,555

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 60 days, extending up to 150 days 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 minimize credit risk. Overdue balances are reviewed regularly by senior management. Except for collection of trade debts arising from trading with overseas customers which is covered by insurance policies, 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 receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Less than 90 days	49,570	18,006
91 to 120 days	–	9,015
121 to 365 days	13,343	9,539
1 to 2 years	14,161	7,995
	77,074	44,555

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		30 June 2023	31 December 2022
	<i>Notes</i>	(Unaudited)	(Audited)
		HK\$'000	HK\$'000
Prepayments	(a)	102,460	55,516
Deposits and other receivables	(b)	44,865	1,809
Value-added tax recoverable		8,126	3,274
Receivable from a supplier	(c)	42,280	52,280
		197,731	112,879
Impairment allowance		(2,277)	(2,277)
		195,454	110,602

Notes:

- (a) Prepayments mainly comprise advance payments for purchase of inventories held for trading and other expenses. The increase in prepayments in HY2023 was mainly due to the expansion of the Supply Chain Business during the period. The prepayments of HK\$28,379,000 were used for the purchase of inventories of diversified industrial and consumer products and recorded in cost of sales at the end of August 2023.
- (b) Deposits and other receivables mainly comprise tendering deposits and performance pledged deposits.
- (c) The amount was due from Techcomp Instrument Limited and its subsidiaries (collectively, the “Techcomp Instrument Group”, a group controlled by Messrs. Lo Yat Keung and Chan Wai Shing, who were key management personnel of the Group up to 30 September 2019). The balance is unsecured, interest-free and is repayable on demand.

14. 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:

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Unaudited) HK\$'000
Less than 60 days	3,249	5,767
61-180 Days	1,183	–
181-365 Days	1,953	–
	<u>6,385</u>	<u>5,767</u>

Note:

- (a) The trade payables are non-interest-bearing and are normally settled on terms ranging from 60 days to 90 days.

(I) BUSINESS REVIEW

For the six months ended 30 June 2023 (“HY2023”), 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 and medical devices, 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. The business model of the Distribution Business remains unchanged during the period.

The customers of the Distribution Business mainly consist of a variety of businesses and institutions, including hospitals, 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 reporting period.

The Group has been serving our extensive customer base in the PRC and a vast sales network associated with the Group’s PRC offices in Beijing, Shanghai, southwest region of the PRC and Macau to identify and discuss with the existing and potential customers on product specifications, provision of after-sale services.

Since 2022 and up to HY2023, the Group adjusted its direction in a timely manner, seized the opportunity of the national subsidy policy for equipment procurement of Grade 3A public institutions hospitals in Yunnan Province, included the distribution of medical devices in the business scope of the subsidiaries of the Group, obtained the business license for medical device operation qualification and the Class II filing certificate for medical device operation, and increased the focus of its Distribution Business to the area of life science equipment. At the same time, it stepped up the tender work for the sales of laboratory precision instruments. With the joint efforts of all employees, the Distribution Business has achieved a substantial breakthrough. The Group won a number of bids and carried out a number of distribution of laboratory analytical instruments or distribution of medical devices and entered into sale and purchase contracts with independent third parties, including a sales contract for automatic potentiometric titrator, a sales contract for downhole ultrasonic all-in-one machine, a project on high-resolution

inductively coupled high-frequency plasma mass spectrometer, a project on inductively coupled plasma emission spectrometer and entered into the projects of ultra-high-definition electronic endoscopy system, spiral CT, radio frequency therapeutic instrument system and immune analysis sampling system, respectively. As the end users of the above equipment are all Grade 3A public institutions hospitals in the province, and the trade receivables have been monitored in the joint account opened by downstream customers and hospitals, credit risks in relation to the above trade receivables are within the acceptable range. In HY2023, the Group entered into sales order contracts related to the Distribution Business of a total amount of HK\$98.7 million, and achieved a revenue of HK\$16.4 million representing a substantial increase when compared to the six months ended 30 June 2022 (“HY2022”). The remaining amount of HK\$82.3 million is expected to be recognised as revenue in 2023.

Supply Chain Business

Since 2022 and up to HY2023, the Group continued to conduct the trading and supply chain business on diversified industrial and consumer products, primarily relating to construction materials, agricultural commodities, consumer products, 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 and increase its profitability. 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 companies engaged in the production and processing of stainless steel pipes in Vietnam, highway companies in China which require the supply of structural steel, companies engaged in the trading and supply of coffee beans and powder in Yunnan, and companies in hardware, coal, rubber tyres, and other agricultural commodities.

The Group leverages on its extensive customer base established through the Distribution Business with 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 participates 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.

The Group actively expands trading business channels and continues to carry out the Supply Chain Business. In HY2023, the revenue from the Supply Chain Business decreased by HK\$19.9 million or 18.0% to HK\$90.4 million from HK\$110.3 million for HY2022. The Group has sold around 504.2 tons of stainless steel pipes and structural steel. The Group has also entered into supply agreements of about 30 tons of coffee powder in HY2023. The decrease in revenue was mainly due to decreased orders from customers in steel and coffee powder industries.

(II) FINANCIAL REVIEW

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

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. In HY2023, as the number of confirmed cases of COVID-19 continued to drop, economic activities between Mainland China and Hong Kong which were adversely affected by the pandemic had gradually recovered and has been slowly stabilizing. The Distribution Business was improved due to the sales and after-sales activities has been recovered, the revenue from the Distribution Business has continued to improve its financial performance and its revenue in HY2023 increased by 612.2% to HK\$16.4 million from HK\$2.3 million in HY2022.

Due to the global economy is confronting a host of unusual occurrences, the market of international supply chain sector presented the operating trend of "weakening demand, high-inventory and low-price level, and declining efficiency", the price and the sales in the Supply Chain Business was low and downward, its revenue in HY2023 decreased by 18.0% to HK\$90.4 million from HK\$110.3 million in HY2022.

In HY2023, the Group faced greater operational pressure in the Supply Chain Business which was partially offset by the improvement in the Distribution Business' financial results, the financial performance of the Group had an adverse effect in HY2023 as Supply Chain Business' revenue have been decreased.

Revenue

Revenue in HY2023 decreased by 5.2% to HK\$106.8 million from HK\$112.6 million in HY2022, which is mainly attributable to the decreased revenue contribution from the Supply Chain Business. The decrease was partly offset by the increased revenue contribution of the Distribution Business.

Cost of sales

Cost of sales in HY2023 decreased by 2.3% to HK\$105.0 million from HK\$107.4 million in HY2022. The decrease was in line with the decrease in revenue.

Gross profit and gross profit margin

The gross profit in HY2023 decreased by 65.4% to HK\$1.8 million from HK\$5.2 million in HY2022. The decrease in the gross profit of the Supply Chain Business is mainly caused by the ongoing inventory destocking cycle by end customers which led to a decline in demand for the Group's products. The gross profit margin in HY2023 was 1.7% compared to 4.6% in HY2022. The decrease in gross profit margin is mainly attributable to the decrease in proportion of revenue of the Supply Chain Business in overseas markets, mainly in the Asia (other than the PRC) and other areas which had the higher gross profit margin.

Other income and gains

Other income and gains in HY2023 decreased by 36.3% to HK\$0.7 million from HK\$1.0 million in HY2022. The decrease was mainly due to the decrease of foreign exchange gain.

Selling and distribution expenses

Selling and distribution expenses in HY2023 decreased by 70.0% to HK\$0.4 million from HK\$1.3 million in HY2022, which is mainly attributable to the decrease in freight as a result of decreased sales activities in overseas markets, mainly customers in Asia (other than the PRC) and other areas.

Administrative expenses

Administrative expenses in HY2023 increased by 29.8% to HK\$6.3 million from HK\$4.8 million in HY2022, mainly due to the increase in employee benefit expenses and legal and professional fee.

Reversal of impairment losses of financial assets, net

Reversal of impairment losses of financial assets, net in HY2023 was HK\$0.1 million due to the decrease in the outstanding balance of certain trade receivables, the Group has subsequently received as compared to HY2022.

Other expenses, net

Other expenses, net was HK\$17,000 in HY2023 due to tax late filing expenses. No other expenses, net were recorded in HY2022.

Finance costs

Finance costs in HY2023 decreased by 3.9% to HK\$1.4 million from HK\$1.5 million in HY2022, mainly due to a lower average loan principal amount outstanding during HY2023.

Loss for the period

In view of the above, the Group's loss for HY2023 increased to HK\$5.9 million from HK\$3,000 in HY2022, mainly due to (i) the decrease in the gross profit of the Supply Chain Business mainly caused by the ongoing inventory destocking cycle by end customers which led to a decline in demand for the Group's products; (ii) the decrease in reversal of impairment losses of financial assets which were recorded in the Prior Period; and (iii) the increase in operating expenses.

Unaudited Condensed Consolidated Statement of Financial Position

Inventories

Inventories increased by HK\$24.7 million from HK\$23.5 million as at 31 December 2022 to HK\$48.2 million as at 30 June 2023, mainly due to the increase in inventories of coffee powder resulting from the expanded coverages under the Supply Chain Business. The Group maintains a certain level of inventories to support its customers needs in both Distribution Business and Supply Chain Business.

Trade receivables

Trade receivables increased by HK\$32.5 million from HK\$44.6 million as at 31 December 2022 to HK\$77.1 million as at 30 June 2023, mainly due to the increase in trade receivables of the Supply Chain Business which are less than 90 days as a result of the increase in revenue in the second quarter of 2023.

Trade payables

Trade payables increased from HK\$5.8 million as at 31 December 2022 to HK\$6.4 million as at 30 June 2023, mainly due to the increase in trade payable of the Distribution Business which are between 61-180 days as a result of the increase in procurement of Distribution Business.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2023, the Group's net current assets amounted to HK\$163.3 million (31 December 2022: HK\$171.3 million), of which the bank balances and cash were HK\$46.4 million (31 December 2022: HK\$43.1 million), all of which were denominated in United States dollars, Hong Kong dollars and Renminbi. The Group's current ratio was 1.8 (31 December 2022: 4.4).

Loan from an intermediate holding company as at 30 June 2023 was HK\$160.7 million (31 December 2022: HK\$29.4 million), all of which were denominated in Renminbi. The Group's gearing ratio stood at 98.4% as at 30 June 2023 (31 December 2022: 17.2%), 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 announcement, there were no significant investments held by the Group as at 30 June 2023, nor were there other material acquisitions and disposals of subsidiaries, associates and joint ventures by the Group during HY2023. 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 30 June 2023.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Group did not have any material contingent liabilities or capital commitment as at 30 June 2023.

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.

INTERIM DIVIDEND

The Board did not recommend or declare any interim dividend for HY2023 (HY2022: 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 2022 annual report of the Company up to the date of this announcement.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2023, there were 31 (31 December 2022: 21) employees in the Group. In HY2023, the employee benefit expense was approximately HK\$2.6 million. 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.

(III) PROSPECTS

The Group 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 continuously, which in turn will increase revenue and profit contribution from such businesses and generate returns for its shareholders. In this connection, the Group 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 region in China. Set out below is a summary of the key business plans:

- In HY2023, the Group continued to seize the opportunity of the national subsidy policy for equipment procurement of Grade 3A hospitals in Yunnan Province, and established stable business cooperation with a number of Grade 3A hospitals in Yunnan Province and state-owned medical enterprises or medical device equipment distributors with good qualifications in Yunnan Province. The Group won a number of bids and carried out a number of distribution of medical device procurement and distribution, and entered into sales and purchase contracts with independent third parties, including sales and purchase contracts of electronic bronchoscope system, lung function detector, electronic gastroenteroscopy, linear accelerator, magnetic resonance, biological stimulation feedback instrument, color Doppler ultrasound diagnosis system and automatic microbial identification system. As of early

August 2023, the Group has entered into sales contracts related to the Distribution Business of an accumulated amount of approximately HK\$106.6 million. It is expected to entered into contracts of a total amount of approximately HK\$113.4 million throughout the year. In HY2023, the Group recorded revenue of approximately HK\$16.4 million.

- 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 mainly focus on life science instruments. The Group will actively participate in the bidding and procurement projects of medical equipment in provincial hospitals in Yunnan Province and the Grade 3A hospitals in Dizhou City, and enter into cooperation agreements with relevant equipment manufacturers and agents to improve the sales performance and profitability of the Distribution Business.

Supply Chain Business

The Group conducts detailed review of its operations and adjusts 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 Group 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 2023, the Company will continue to develop the Supply Chain Business, and strive to sign long-term supply agreements with relevant companies engaging in coal and mineral products business to achieve long-term and stable large-value trade. In terms of the international trading business, in addition to maintaining the original export trade, the Company will actively develop other export businesses and achieve breakthroughs in bulk import trade to gradually realise the two-wheel driven import and export trade.
- While strengthening its cooperation with highway companies, the Group is also exploring long-term cooperation models for other highway projects. The Group also continues to actively identify customers to further develop its supply chain business.
- The Group's Supply Chain Business is currently handled by a seasoned management team of 11 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 officer and inspection officer. 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 has 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 7 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 its international Supply Chain Business, including but not limited 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, and win new tenders and the accelerate promotion of potential steel, rudder, copper concentrate, electrolytic copper, fertilizer, chemical raw materials and other trading businesses. The Group will continue to expand its business team in response to the increasing level of business activities and market demand in the next 12 months.

International Energy Project Investment

In addition to the existing Distribution Business and Supply Chain Business, the Group will also start to tap into the development opportunities in the area of international green energy project investment to explore the expansion of the installed capacity of overseas energy projects and win more related construction tenders, so as to increase the revenue and profit contribution of these businesses and create returns for shareholders. The Group plans to leverage on the good relationship between YEI Group and the governments and cooperative units in Laos and Myanmar to engage in green energy investment projects.

It is planned that in the second half of 2023, the Group will expand the Supply Chain Business in South Asia and Southeast Asia. Leveraging on the advantages of the substantial shareholder's overseas network resources in the region, the Group will make full use of the reputation and credit effect of its state-owned enterprise platform to give full play to its international supply chain management experience and professional advantages to form complementary advantages with the substantial shareholder's overseas energy project development needs. Based on the unique professional background and regional project experience of the Board, the management and the team of the Group, the Group plans to focus on the field of energy infrastructure construction and supply chain in Laos and Myanmar, accumulate brand awareness and service reputation in the region, and seek other business development opportunities and investment opportunities in the region to diversify the Group's business layout and expand the Group's comprehensive influence in South Asia and Southeast Asia.

The Group continues to leverage on YEI Group’s important influence in the fields of green energy, modern logistics, digital economy and other industries in Yunnan Province and Southwest region in China and the strengths of its overseas network as well as our seasoned management team to locate and maintain customers with overseas energy import and export needs, so as to broaden customer base and increase revenue streams, and create a global supply chain network.

With the continuous development of the business, the Group will, leveraging on the existing 12 overseas business representative offices of YEI Group, set up a dedicated business team to conduct in-depth exploration of business resources, and enhance its connections with potential customers and supplies in each region. By establishing and maintaining good relationships with suppliers, integrating downstream channel resources, the Group will further enhance the competitive advantage and sustainability of the Supply Chain Business.

Given the formulated business plans and the initial tapping into the energy investment area, 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 the shareholders.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

DIRECTORS’ INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, to the knowledge of the 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 HY2023 nor at any time during HY2023 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 Scheme and the Share Award Scheme.

SHARE OPTION SCHEME AND SHARE AWARD SCHEME

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 HY2023.

During HY2023, no share awards had been granted under the Share Award Scheme.

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

As at 30 June 2023, so far as to the knowledge of 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 (<i>Note 1</i>)	Beneficial owner	201,196,995	73.05%	-	-
Yunnan Energy Investment (HK) Co. Limited (<i>Note 1</i>)	Interest of controlled corporation	-	-	201,196,995	73.05%
Yunnan Provincial Energy Investment Group Co., Limited (<i>Note 1</i>)	Interest of controlled corporation	-	-	201,196,995	73.05%

Note:

- 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.

Save as disclosed above, as at 30 June 2023, 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 HY2023, 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 condensed consolidated interim results of the Group for HY2023, 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.

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 HY2023.

SUBSEQUENT EVENTS

From the end of the reporting period to the date of this announcement, the Group did not have any other significant events.

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 HY2023.

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 HY2023.

PUBLICATION OF 2023 INTERIM RESULTS AND 2023 INTERIM REPORT

This interim results announcement and the 2023 interim report containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the SEHK, SGX-ST and the Company in due course.

By Order of the Board
Yunnan Energy International Co. Limited
HU Xiangwei
Chairman

Hong Kong, 25 August 2023

As of the date of this announcement, the Board comprises Mr. HU Xiangwei, Ms. ZHU Yingxue, Mr. YANG Jie, Mr. WANG Jin 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.

* *For identification purpose only*