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 2019

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 2019 together with the comparative figures for the year ended 31 December 2018 as follows:

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	**2019** ***HK$'000***	2018 *HK$'000* (Restated)
CONTINUING OPERATION			
Revenue	4	**311,473**	634,414
Cost of sales		**(236,002)**	(473,825)
Gross profit		**75,471**	160,589
Other income	5	**4,109**	453
Selling and distribution expenses		**(30,254)**	(45,952)
Administrative expenses		**(55,462)**	(98,723)
Other expenses		**(80)**	(19,332)
Finance costs	6	**(13,402)**	(6,209)
LOSS BEFORE TAX FROM CONTINUING OPERATION	7	**(19,618)**	(9,174)
Income tax	8	**(174)**	–
LOSS FOR THE YEAR FROM CONTINUING OPERATION		**(19,792)**	(9,174)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	9	**–**	(65,051)
LOSS FOR THE YEAR		**(19,792)**	(74,225)

	Note	2019 HK$'000	2018 HK$'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		**2,323**	15,320
Reclassification adjustment for gains included in profit or loss upon disposal of subsidiaries through a distribution in specie		**–**	(56,515)
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR, NET OF INCOME TAX		**2,323**	(41,195)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(17,469)**	(115,420)
Loss for the year attributable to:			
Shareholders of the Company		**(19,792)**	(73,213)
Non-controlling interests		**–**	(1,012)
		(19,792)	(74,225)
Total comprehensive loss for the year attributable to:			
Shareholders of the Company		**(17,469)**	(114,385)
Non-controlling interests		**–**	(1,035)
		(17,469)	(115,420)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	11		
Basic and diluted			
– For loss for the year		**(HK7.19 cents)**	(HK26.58 cents)
– For loss from continuing operation		**(HK7.19 cents)**	(HK3.33 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**31 December 2019 HK$'000**	31 December 2018 HK$'000 (Restated)	1 January 2018 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	12	**1,755**	2,984	78,959
Right-of-use assets		**2,973**	–	–
Goodwill		**–**	–	10,509
Other intangible assets		**2,316**	3,088	34,025
Equity investment at fair value through other comprehensive income		**3,204**	3,204	–
Available-for-sale investments		**–**	–	3,510
Deposits paid for acquisition of property, plant and equipment		**–**	–	7,099
Other non-current asset		**–**	–	3,853
Deferred tax assets		**–**	–	125
Total non-current assets		**10,248**	9,276	138,080
CURRENT ASSETS				
Inventories		**55,823**	109,529	348,262
Trade and bills receivables	13	**140,153**	213,187	636,372
Prepayments, deposits and other receivables		**99,851**	24,340	55,469
Income tax recoverable		**–**	–	2,840
Cash and bank balances		**204,877**	187,557	112,614
Total current assets		**500,704**	534,613	1,155,557
CURRENT LIABILITIES				
Trade and bills payables	14	**13,891**	44,991	155,851
Other payables and accruals		**21,262**	47,767	153,150
Income tax payables		**4**	2,440	21,638
Bank borrowings		**8,698**	26,529	287,500
Lease liabilities		**1,393**	–	–
Loan from a shareholder		**–**	124,000	–
Total current liabilities		**45,248**	245,727	618,139
NET CURRENT ASSETS		**455,456**	288,886	537,418

	31 December 2019	31 December 2018	1 January 2018
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES	**465,704**	298,162	675,498
NON-CURRENT LIABILITIES			
Bank borrowings	**–**	–	24,569
Lease liabilities	**1,662**	–	–
Loan from a shareholder	**183,349**	–	–
Defined benefit obligations	**–**	–	9,295
Deferred tax liabilities	**–**	–	1,140
Total non-current liabilities	**185,011**	–	35,004
Net assets	**280,693**	298,162	640,494
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	**107,420**	107,420	107,420
Reserves	**173,273**	190,742	542,705
	280,693	298,162	650,125
Non-controlling interests	**–**	–	(9,631)
Total equity	**280,693**	298,162	640,494

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 to the People's Republic of China (the "PRC") and the provision of related repair and maintenance services (the "PRC Distribution Business")

- Distribution of branded analytical and laboratory instruments and life science equipment to areas outside the PRC and the provision of related repair and maintenance services (the "Overseas Distribution Business", discontinued in 2018 – note 9)

- Design, manufacture and sale of analytical and laboratory instruments and life science equipment (the "Manufacturing Business", discontinued in 2018 – note 9)

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"). 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 otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Impacts of new and revised IFRSs

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Impacts of new and revised IFRSs (Continued)

Except for the amendments to IFRS 9, IAS 19 and IAS 28, and *Annual Improvements to IFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption, if any, recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (continued)

Nature of the effect of adoption of IFRS 16

The Group has lease contracts as a lessee for office premises. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with the lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on the straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities as at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 1 January 2019. The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately on the face of the consolidated statement of financial position. There was no lease assets recognised previously under finance leases that were reclassified from property, plant and equipment.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

- Using a single discount rate to a portfolio of leases with reasonably similar characteristics, when measuring the lease liabilities as at 1 January 2019

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (continued)

Finance impact at 1 January 2019

The impact arising from the adoption of IFRS 16 on 1 January 2019 was as follows:

(i) The adoption of IFRS 16 on 1 January 2019 by the Group has given rise to recognition of additional right-of-use assets and lease liabilities of HK$4,108,000 each as at 1 January 2019.

(ii) In respect of the consolidated financial performance for the year ended 31 December 2019:

- Depreciation expense (as included in cost of sales and administrative expenses) was increased by HK$1,398,000 relating to the depreciation of additional assets recognised (i.e., increase in right-of-use assets).

- Rental expense (as included in administrative expenses) was decreased by HK$1,533,000

- Finance costs was increased by HK$219,000 relating to the interest expense on additional lease liabilities recognised.

A reconciliation of the operating lease commitments as at 31 December 2018 to the lease liabilities as at 1 January 2019 is as follows:

	HK$'000
Operating lease commitments as at 31 December 2018 (restated)	13,432
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(9,142)
	4,290
Weighted average incremental borrowing rate as at 1 January 2019	4.78%
Lease liabilities as at 1 January 2019	4,108

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

Change in presentation currency

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

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

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 2019 and 2018, and more than 90% of the Group's total assets as at the end of each of these years were derived from or were attributable to one single operating segment, i.e., the PRC Distribution Business.

3. **OPERATING SEGMENT INFORMATION (Continued)**

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 2019 and 2018 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 the year ended 31 December 2019, one single customer contributed more than 10% of the Group's revenue and the revenue from the continuing operation derived from the sales to this customer amounted to HK$54,981,000. During the year ended 31 December 2018, there was no single external customer which contributed 10% or more of the Group's revenue from the continuing operation.

4. **REVENUE**

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

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Revenue from contracts with customers		
Sales of goods	**272,397**	583,769
Repair and maintenance service income	**39,076**	50,645
	311,473	634,414

5. **OTHER INCOME**

An analysis of other income from the continuing operation is as follows:

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Bank interest income	**3,859**	453
Recovery of deposits	**250**	–
	4,109	453

6. FINANCE COSTS

An analysis of finance costs from the continuing operation is as follows:

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Interest on bank loans and bank overdrafts	**845**	6,209
Interest on loans from a shareholder	**12,338**	–
Interest on lease liabilities	**219**	–
	13,402	6,209

7. LOSS BEFORE TAX FROM CONTINUING OPERATION

The Group's loss before tax from the continuing operation is arrived at after charging:

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Cost of inventories sold	**236,002**	473,825
Depreciation of items of property, plant and equipment	**640**	1,560
Depreciation of right-of-use assets	**1,398**	–
Amortisation of other intangible assets	**772**	772
Minimum lease payments under operating leases	**–**	8,307
Lease payments not included in the measurement of lease liabilities	**657**	–
Provision for inventories	**500**	5,460
Impairment of trade receivables, net	**–**	9,773
Loss on disposal of items of property, plant and equipment, net	**–**	23

8. INCOME TAX

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

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Current – PRC		
Underprovision in prior years	**174**	–
Current – Elsewhere	**–**	148
Deferred	**–**	–
	174	148
Attributable to:		
Continuing operation	**174**	–
Discontinued operations *(note 9(a))*	**–**	148
	174	148

9. DISTRIBUTION IN SPECIE AND DISCONTINUED OPERATIONS

	2018
	HK$'000
	(Restated)
Distribution in specie	231,380

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 HK$231,380,000 (restated), 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 year ended 31 December 2018 were summarised as follows:

	2018
	HK$'000
	(Restated)
Revenue	399,773
Other income and gains, net	3,057
Expenses	(455,402)
Loss before tax of the discontinued operations	(52,572)
Income tax related to loss before tax of the discontinued operations *(note 8)*	(148)
Loss after tax of the discontinued operations	(52,720)
Loss on disposal of the discontinued operations by way of a distribution in specie	(12,331)
Loss for the year from the discontinued operations	(65,051)
Attributable to:	
Shareholders of the Company	(64,039)
Non-controlling interests	(1,012)
	(65,051)

(b) Loss per share from the discontinued operations

	2018
	(Restated)
Basic and diluted loss per share from the discontinued operations	(HK23.25 cents)

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

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

	2018
	(Restated)
Loss for the year from the discontinued operations attributable to shareholders of the Company	HK$64,039,000
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculations	275,437,000

10. DIVIDENDS

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

11. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts for the years ended 31 December 2019 and 2018 is based on the loss for the year attributable to shareholders of the Company and the weighted average number of ordinary shares in issue during these years.

No adjustment has been made to the basic loss per share amounts presented for each of the year ended 31 December 2019 and 2018, in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2019 and the impact of the share options outstanding during the year ended 31 December 2018 had an anti-dilutive effect on the basic loss per share amounts presented for that year.

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

Loss

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Loss for the year attributable to shareholders of the Company, used in the basic and diluted loss per share calculations:		
From a continuing operation	**(19,792)**	(9,174)
From discontinued operations	**–**	(64,039)
	(19,792)	(73,213)

Number of ordinary shares

	Number of shares	
	2019	2018
Weighted average number of ordinary shares in issue during the year, used in the basic loss per share calculations	**275,437,000**	275,437,000

12. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred HK$434,000 (2018: HK$46,987,000) for 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:

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Less than 90 days	**45,744**	71,230
91 to 120 days	**1,420**	10,156
121 to 365 days	**16,354**	37,222
1 to 2 years	**59,308**	77,337
Over 2 years	**17,327**	17,242
	140,153	213,187

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:

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Less than 60 days	**12,405**	41,110
61 to 180 days	**173**	3,401
181 to 365 days	**1,039**	–
Over 1 year	**274**	480
	13,891	44,991

BUSINESS REVIEW

PRC Distribution Business

The Group is principally engaged in the provision of distribution and after-sales services 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 for a variety of businesses and institutions, including universities, research institutions, companies in the industrial sector and government agencies.

In 2019, the global economy growth is slowing down and trade protection is heating up. Although China's overall economy growth is still within reasonable range, and the government has been making adjustments to the economy policies, the change in macro environment still affects the Group's business operations in China. Overall revenue and cost have seen a sizeable drop, while the operating cashflow remains healthy.

For the year ended 31 December 2019 ("**FY2019**"), the revenue from the sales of goods decreased by HK$311.4 million or 53.3% to HK$272.4 million from HK$583.8 million for the year ended 31 December 2018 ("**FY2018**"), mainly attributable to the drop in orders.

Meanwhile, the revenue from the repair and maintenance services decreased by 11.5 million or 22.7% to HK$39.1 million from HK$50.6 million for FY2018.

The Group's total revenue decreased by HK$322.9 million or 50.9% to HK$311.5 million from HK$634.4 million for FY2018, mainly attributable to the decrease in revenue from sales of goods.

The Group's loss for FY2019 decreased by 73.3% to HK$19.8 million from HK$74.2 million in FY2018 mainly due to (a) the decrease in operating expenses; and (b) the absence of a loss from the discontinued operations pursuant to a distribution in specie recorded in FY2018, which outweighed (i) the decline in revenue of the Group resulting from the drop in orders; and (ii) the increase of finance costs occurred in loan from a shareholder. The Group will keep monitoring the business segment and keep up with the changing business environment caused by the uncertainties in global economy.

FINANCIAL REVIEW

Consolidated Statement of Profit or Loss and other Comprehensive Income

Revenue

Revenue in FY2019 decreased by 50.9% to HK$311.5 million from HK$634.4 million in FY2018, mainly attributable to the drop in sales orders.

Cost of sales

Cost of sales in FY2019 decreased by 50.2% to HK$236.0 million from HK$473.8 million in FY2018. 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 FY2019 decreased by 53.0% to HK$75.5 million from HK$160.6 million in FY2018. The gross profit margin in FY2019 was 24.2% compared to 25.3% in FY2018.

Other income

Other income in FY2019 increased by 720.0% to HK$4.1 million from HK$0.5 million in FY2018. The increase was mainly due to an increase of bank interest income.

Selling and distribution expenses

Selling and distribution expenses in FY2019 decreased by 34.1% to HK$30.3 million from HK$46.0 million in FY2018, mainly due to the cost saving in staff cost after the completion of the distribution in specie of shares in the subsidiaries.

Administrative expenses

Administrative expenses in FY2019 decreased by 43.8% to HK$55.5 million from HK$98.7 million in FY2018, mainly due to cost saving in staff cost, business trip expenses, entertainment, rental expenses and the professional fee after the completion of the distribution in specie of shares in the subsidiaries.

Other expenses

Other expenses in FY2019 decreased by 99.6% to HK$0.08 million from HK$19.3 million in FY2018. The decrease was mainly due to the lower of the impairment of trade and bills receivables and provision for inventories which were recorded in FY2019.

Finance costs

Finance costs in FY2019 increased by 116.1% to HK$13.4 million from HK$6.2 million in FY2018, mainly due to the increase of interest expenses of loans from a shareholder.

Loss for the year

In view of the above, the Group recorded loss of HK$19.8 million in FY2019 compared to loss of HK$74.2 million in FY2018.

Consolidated Statement of Financial Position

Inventories

Inventories decreased by HK$53.7 million from HK$109.5 million as at 31 December 2018 to HK$55.8 million as at 31 December 2019, mainly due to the lower overall level of inventories held to meet the lower demand.

Trade and bills receivables

Trade and bills receivables decreased by HK$73.0 million from HK$213.2 million as at 31 December 2018 to HK$140.2 million as at 31 December 2019 due to decrease in trade and bills receivables which are less than 365 days.

Trade and bills payables

Trade and bills payables decreased by HK$31.1 million from HK$45.0 million as at 31 December 2018 to HK$13.9 million as at 31 December 2019 due to decrease in trade and bills payables which are less than 60 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 2019, nor were there other material acquisitions and disposals of subsidiaries by the Group during FY2019. 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 2019.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Group did not have any material contingent liabilities or capital commitment as at 31 December 2019 and 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 2019, the Group's net current assets amounted to HK$455.5 million (2018: HK$288.9 million), of which the bank balances and cash were HK$204.9 million (2018: HK$187.6 million). The Group's current ratio was 11.1 (2018: 2.2).

Total bank borrowings, overdrafts and loan from a shareholder as at 31 December 2019 was HK$192.0 million (2018: HK$150.5 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 68.4% as at 31 December 2019 (2018: 50.5%), which is calculated based on the Group's total interest-bearing debts over the total equity. The Group adopts centralised financing and treasury policies in order to ensure that group financing is managed efficiently. The Group also regularly monitors its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short term and long term.

PROSPECTS

The Group will continue to engaged in the provision of distribution and after-sales services for analytical instruments. Due to more challenging market competition environment, The Board will adjust the marketing strategy timely, increase inventory turnover, and keep the business steady. Meanwhile, the Group will consider to expand the distribution trading business to other sectors based on market demand.

The Group's controlling shareholder is an international energy investment group that is headquartered in Yunnan Province of China, which actively participate in the "Green Energy" initiative raised by the Yunnan Province and strive to make energy the No.1 industry in Yunnan Province. The controlling shareholder has provided great support to the Group's market expansion, credit enhancement, and human resources. In 2019, Hong Kong has been through the impacts from social issues and COVID-19, the economy and society have suffered from these events. The Board wish to utilize the controlling shareholder and other partners' resources and capital, take proper actions, to increase value for all shareholders. In 2020, the Group plans to explore investment opportunities, taking advantage of the international finance hub nature of Hong Kong, through project investment and financial investment including licensed activities, to actively support our core business's development. The Group believes the relevant business can bring new opportunities and steady development for its earning capabilities and strategic transformation of its current business.

Meanwhile, as the macro environment and outside impact have affected the Group's current business and volatility, the Group will consider to explore new business that will bring shareholders steady return with less impact from the economy cycles and social issues. The Group will consider to tap into financial services, capital investment management, and fintech sectors combined with industrial investment, to offset the volatility of the current business and create more value for the shareholders.

The Group will continue to look for potential acquisition target that is complementary or has synergy with our business, and has the potential to increase our asset quality and earning capability.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2019, there were 70 (2018: 354) 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 2019.

ANNUAL GENERAL MEETING

It is proposed that the 2019 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 FY2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

EVENT AFTER THE REPORTING PERIOD

The Directors of the Company consider that the outbreak of the COVID-19 may affect the business performance and position of the Group mainly due to travel restrictions and other precaution measures imposed by relevant local authorities that resulted in delays in commencement of work and delivery of products to customers. Meanwhile, due to the inherent nature and unpredictability of future development of the virus and market sentiment, the degree of the impact depends on the situation of the epidemic preventive measures and the duration of the epidemic. Accordingly, the financial impact of the COVID-19 outbreak to the Group cannot be reasonable estimated as this stage. The Directors will keep continuous attention to the situation of the COVID-19 and react actively to minimise its impact on the financial position and operating results of the Group.

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 2019, 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 FY2019, except for the deviation from code provision A.2.7 of the Hong Kong Code which are explained below.

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 FY2019.

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 FY2019.

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 FY2019.

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 2019 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 FY2019 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, 26 March 2020

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