

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

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



雲能國際
YUNNAN ENERGY INTERNATIONAL

Yunnan Energy International Co. Limited

雲能國際股份有限公司*

(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 1298)

(Singapore Stock Code: T43)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

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 2022 (“HY2022”) together with the comparative figures for the six months ended 30 June 2021 (“HY2021”) as follows:

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

	<i>Notes</i>	Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	4	112,608	19,314
Cost of sales		(107,411)	(16,254)
Gross profit	5	5,197	3,060
Other income and gains		1,024	217
Selling and distribution expenses		(1,338)	(931)
Administrative expenses		(4,845)	(5,819)
Reversal of impairment losses/(impairment losses) of financial assets, net		1,425	(7,438)
Other expenses, net		–	(17,994)
Finance costs	6	(1,466)	(627)
LOSS BEFORE TAX	7	(3)	(29,532)
Income tax	8	–	–
LOSS FOR THE PERIOD		(3)	(29,532)

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
<i>Note</i>	HK\$'000	HK\$'000
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods – Exchange differences:</i>		
On translation of foreign operations	<u>(3,372)</u>	<u>318</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX	<u>(3,372)</u>	<u>318</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u><u>(3,375)</u></u>	<u><u>(29,214)</u></u>
Loss for the period attributable to:		
Shareholders of the Company	<u><u>(3)</u></u>	<u><u>(29,532)</u></u>
Total comprehensive loss for the period attributable to:		
Shareholders of the Company	<u><u>(3,375)</u></u>	<u><u>(29,214)</u></u>
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY:	10	
Basic and diluted		
For loss for the period	<u><u>(HK0.001 cents)</u></u>	<u><u>(HK10.722 cents)</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	11	621	742
Right-of-use assets		764	936
		<hr/>	<hr/>
Total non-current assets		1,385	1,678
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		45,216	6,400
Trade receivables	12	64,686	64,105
Prepayments, deposits and other receivables		120,104	92,824
Income tax recoverable		5,755	–
Cash and bank balances		49,965	103,122
		<hr/>	<hr/>
Total current assets		285,726	266,451
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	13	1,953	1,993
Other payables and accruals		28,532	3,481
Loan from a shareholder		59,045	–
Loans from fellow subsidiaries		12,057	73,593
Lease liabilities		252	274
		<hr/>	<hr/>
Total current liabilities		101,839	79,341
		<hr/>	<hr/>

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
NET CURRENT ASSETS	<u>183,887</u>	<u>187,110</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>185,272</u>	<u>188,788</u>
NON-CURRENT LIABILITIES		
Lease liabilities	<u>622</u>	<u>763</u>
Total non-current liabilities	<u>622</u>	<u>763</u>
Net assets	<u><u>184,650</u></u>	<u><u>188,025</u></u>
EQUITY		
Equity attributable to shareholders of the Company		
Issued capital	107,420	107,420
Reserves	<u>77,230</u>	<u>80,605</u>
Total equity	<u><u>184,650</u></u>	<u><u>188,025</u></u>

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 and the provision of related repair and maintenance services (the “Distribution Business”)
- Trading and supply chain business on diversified industrial and consumer products (the “Supply Chain Business”)

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 2022 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2021.

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 2022 for the preparation of the Group’s unaudited condensed consolidated financial statements:

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to IAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Amendments to IFRSs	<i>Annual Improvements to IFRSs 2018-2020 Cycle</i>

None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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 and supply chain business on 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	
	2022	2021	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Segment revenue	<u>2,298</u>	<u>1,907</u>	<u>110,310</u>	<u>17,407</u>	<u>112,608</u>	<u>19,314</u>
Segment results	<u>1,443</u>	<u>(28,495)</u>	<u>2,285</u>	<u>2,005</u>	<u>3,728</u>	<u>(26,490)</u>
Interest income					183	217
Interest expenses					(1,446)	(594)
Depreciation and amortisation					(228)	(978)
Corporate administration costs					<u>(2,240)</u>	<u>(1,687)</u>
Loss before tax					<u>(3)</u>	<u>(29,532)</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	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
PRC (including Hong Kong and Macau)	36,322	1,907
Asia (other than the PRC)	58,070	17,407
Oceania	<u>18,216</u>	<u>–</u>
Total	<u>112,608</u>	<u>19,314</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	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Customer A from the Supply Chain Business segment	58,070	17,407
Customer B from the Supply Chain Business segment	24,974	N/A*
	<u><u> </u></u>	<u><u> </u></u>

* 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	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers		
Sale of goods	112,608	19,314
	<u><u> </u></u>	<u><u> </u></u>

Note:

Disaggregated revenue information

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	<u>2,298</u>	<u>110,310</u>	<u>112,608</u>
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	<u>2,298</u>	<u>110,310</u>	<u>112,608</u>

For the six months ended 30 June 2021

	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	<u>1,907</u>	<u>17,407</u>	<u>19,314</u>
Geographical markets			
PRC (including Hong Kong and Macau)	1,907	–	1,907
Asia (other than the PRC)	–	17,407	17,407
Total revenue from contracts with customers	<u>1,907</u>	<u>17,407</u>	<u>19,314</u>

5. OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	183	212
Gain on foreign exchange difference	777	5
Government subsidies	64	–
	<hr/>	<hr/>
	1,024	217
	<hr/> <hr/>	<hr/> <hr/>

6. FINANCE COSTS

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on loan from a shareholder	577	–
Interest on loans from fellow subsidiaries	869	594
Interest on lease liabilities	20	33
	<hr/>	<hr/>
	1,466	627
	<hr/> <hr/>	<hr/> <hr/>

7. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Cost of inventories sold	107,411	16,254
Depreciation of items of property, plant and equipment	93	383
Depreciation of right-of-use assets	135	209
Amortisation of other intangible assets*	–	386
Lease payments not included in the measurement of lease liabilities	24	103
Employee benefit expense (excluding directors' remuneration):		
Salaries, allowances and benefits in kind	1,933	2,382
Defined contribution scheme contributions	63	505
	<u>1,996</u>	<u>2,887</u>
Foreign exchange differences, net	(777)	(5)
Impairment losses on inventories**	–	17,993
	<u>–</u>	<u>17,993</u>
Impairment losses/(reversal of impairment losses) of financial assets, net:		
Trade receivables	(1,425)	–
Other receivables	–	7,438
	<u>–</u>	<u>7,438</u>

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

** The item is included in “Other expenses, net” on the face of the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

8. INCOME TAX

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

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current – PRC	–	–

Notes:

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

No provision for Hong Kong Profits Tax and Macau income tax was made as the Group does 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 tax rate applicable to the PRC subsidiaries is 25% (six months ended 30 June 2021: 25%). No provision for income tax in the PRC was made by the PRC subsidiaries.

9. DIVIDENDS

The Board did not recommend or declare any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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\$3,000 (six months ended 30 June 2021: HK\$29,532,000) and the weighted average number of ordinary shares of 275,437,000 (six months ended 30 June 2021: 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 2022 and 2021 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 did not spend (six months ended 30 June 2021: HK\$7,000) 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 2021: HK\$43,000).

12. TRADE RECEIVABLES

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Less than 90 days	56,590	56,000
121 to 365 days	8,096	8,105
	<u>64,686</u>	<u>64,105</u>

13. TRADE PAYABLES

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Less than 60 days	1,953	1,993
	<u>1,953</u>	<u>1,993</u>

(I) BUSINESS REVIEW

For the six months ended 30 June 2022, the principal activities of the Group are: (1) the provision of distribution and after-sales services in the PRC for different analytical instruments, including chromatographs, spectrophotometers, electronic microscopes, life science and general laboratory instruments, with specialised and customised hardware and software, to provide solutions and facilitate scientific analysis and testing (the “Distribution Business”); and (2) the trading and supply chain business on diversified industrial and consumer products (the “Supply Chain Business”).

Distribution Business

The Distribution Business is mainly conducted through identifying the demands of the Group’s existing and potential customers (including specification of products, price that the customers can afford, etc.), sourcing the products from various suppliers and supplying the products to the customers. The Group also provides after-sales services such as testing, training and maintenance services for the products sold. 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 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 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 and Macau to identify and discuss with the existing and potential customers on product specifications, provision of after-sale services. In January 2022, the Group has incorporated the Yunnan Branch to support the growth of the Distribution Business. As the novel coronavirus disease (“COVID-19”) outbreak in HY2022, mandatory restrictions have been imposed in different regions of the PRC to combat the COVID-19, the progress of staffs recruitment plan has not matched with original schedules. Meanwhile, the Group continued to approach potential customers through tender activities.

In HY2022, the revenue from the Distribution Business increased by HK\$0.4 million or 20.5% to HK\$2.3 million from HK\$1.9 million In HY2021, which is attributable to the reasons as explained below.

In HY2022, both Mainland China and Hong Kong were clouded by the uncertainties arising from the COVID-19 outbreak. Since the outbreak and its prolonged control and lockdown measures have reduced sales activities and delayed or suspended equipment purchases, the revenue from the Distribution Business has remained relatively low.

Supply Chain Business

In HY2022, 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.

In HY2022, the revenue from the Supply Chain Business increased by HK\$92.9 million or 533.7% to HK\$110.3 million from HK\$17.4 million for HY2021. The Group has sold around 7,500 tons of stainless steel pipes and structural steel as well as around 7,600 tons of coal in HY2022. The Group has also entered into supply agreements of 60 tons of coffee powder in HY2022 and 30 tons of coffee powder has been sold in July 2022.

The Group's total revenue increased by HK\$93.3 million or 483.1% to HK\$112.6 million for HY2022 from HK\$19.3 million for HY2021, which is mainly attributable to the increase in revenue contribution from the Supply Chain Business as the Group continues to develop the Supply Chain Business, and aims to extend its business to cover not only construction materials and medical devices, but also consumer products and agricultural commodities to meet the customers' needs.

The Group's loss for HY2022 decreased by 99.9% to HK\$3,000 from HK\$29.5 million in HY2021, which is mainly attributable to (i) the increase in both the revenue and the corresponding gross profit of the Supply Chain Business; (ii) the decrease in impairment losses on inventories and financial assets; and (iii) the decrease in operating expenses.

(II) FINANCIAL REVIEW

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 HY2022, both Mainland China and Hong Kong were clouded by the uncertainties arising from the COVID-19 outbreak and the Distribution Business was affected accordingly. Since the outbreak and its prolonged control and lockdown measures have reduced sales and after-sales activities and delayed or suspended equipment purchases, the revenue from the Distribution Business has remained relatively low.

Leveraging on the Distribution Business's experience accumulated over three decades of operation as well as the extensive experience and network in the international supply chain sector of its management and staff, the Supply Chain Business has continued to improve its financial performance and its revenue in HY2022 increased by 533.7% to HK\$110.3 million from HK\$17.4 million in HY2021.

Despite the changes to the Company's directors and management in recent years and the Company's new management team has been reviewing the business operation and direction of the Group, the financial performance of the Group improved in HY2022 as Supply Chain Business' financial results have contributed to the Group's revenue growth.

Revenue

Revenue in HY2022 increased by 483.1% to HK\$112.6 million from HK\$19.3 million in HY2021, which is mainly attributable to the increased revenue contribution from the Supply Chain Business.

Cost of sales

Cost of sales in HY2022 increased by 560.8% to HK\$107.4 million from HK\$16.3 million in HY2021. The increase was in line with the revenue growth.

Gross profit and gross profit margin

The gross profit in HY2022 increased by 69.9% to HK\$5.2 million from HK\$3.1 million in HY2021. The gross profit margin in HY2022 was 4.6% compared to 15.8% in HY2021. The decrease in gross profit margin is mainly attributable to the increased proportion of revenue contribution from the Supply Chain Business which has a relatively lower gross profit margin in HY2022.

Other income and gains

Other income and gains in HY2022 increased by 371.4% to HK\$1.0 million from HK\$0.2 million in HY2021. The increase was mainly due to the increase of foreign exchange gain.

Selling and distribution expenses

Selling and distribution expenses in HY2022 increased by 43.7% to HK\$1.3 million from HK\$0.9 million in HY2021, which is mainly attributable to the increase in freight and agency fee as a result of increased sales activities in overseas markets, mainly customers in Asia and Oceania.

Administrative expenses

Administrative expenses in HY2022 decreased by 16.7% to HK\$4.8 million from HK\$5.8 million in HY2021, mainly due to the further decrease in depreciation of property, plant and equipment and depreciation of right-of-use assets.

Reversal of impairment losses/(impairment losses) of financial assets, net

Reversal of impairment losses/(impairment losses) of financial assets, net in HY2022 was HK\$1.4 million due to (i) the increase of reversal of impairment losses in trade receivables as the Group has subsequently received the outstanding balances of certain trade receivables, and (ii) the absence of impairment losses of other receivables in HY2022.

Other expenses, net

Other expenses, net recorded an amount of HK\$18.0 million in HY2021. No other expenses, net were recorded in HY2022.

Finance costs

Finance costs in HY2022 increased by 133.8% to HK\$1.5 million from HK\$0.6 million in HY2021, mainly due to a higher average loan principal amount outstanding during HY2022.

Loss for the period

In view of the above, the Group's loss for HY2022 decreased by 99.9% to HK\$3,000 from HK\$29.5 million in HY2021.

Consolidated Statement of Financial Position

Inventories

Inventories increased by HK\$38.8 million from HK\$6.4 million as at 31 December 2021 to HK\$45.2 million as at 30 June 2022, 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\$0.6 million from HK\$64.1 million as at 31 December 2021 to HK\$64.7 million as at 30 June 2022, 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.

Trade payables

Trade payables as at 30 June 2022 amounted to HK\$2.0 million which remained at a similar level with the HK\$2.0 million recorded as at 31 December 2021.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2022, the Group's net current assets amounted to HK\$183.9 million (31 December 2021: HK\$187.1 million), of which the bank balances and cash were HK\$50.0 million (31 December 2021: HK\$103.1 million). The Group's current ratio was 2.8 (31 December 2021: 3.4).

Loans from fellow subsidiaries and a shareholder as at 30 June 2022 was HK\$71.1 million (31 December 2021: HK\$73.6 million), all of which were denominated in Renminbi. The Group's gearing ratio stood at 38.5% as at 30 June 2022 (31 December 2021: 39.1%), 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 2022, nor were there other material acquisitions and disposals of subsidiaries, associates and joint ventures by the Group during HY2022. 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 2022.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Group did not have any material contingent liabilities or capital commitment as at 30 June 2022.

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 HY2022 (HY2021: 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 2021 annual report of the Company up to the date of this announcement.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2022, there were 18 (31 December 2021: 17) employees in the Group. In HY2022, the employee benefit expense was approximately HK\$2.0 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 where the YEI Group has a strong presence. Set out below is a summary of the key business plans:

- The Group expects the pandemic to continue to abate after the COVID-19 outbreak in HY2022. Following incorporation of the Group's Yunnan branch in January 2022, the Group will continue to put efforts on its sales activities in the Southwest region in China including Yunnan Province as the starting point to reinvigorate its performance and recruit additional sales personnel and technical support team for the sales and tender activities as well as after-sales support. The above action plans aim to consolidate the relationships with the existing and potential customer base, and capitalise market demand to enhance business activities. Although sales and after-sales activities have been continuously affected by COVID-19, especially due to the very technical nature of the products of the Distribution Business where on-site discussion and training are often preferred, various non face-to-face approaches (including video conferencing or remote/online training services) will also be implemented for the recovery of the business operations as negatively affected by COVID-19;

- Extension of a wider range of product and service offerings that meet the demands from the existing and potential customers in different industries, and such products may include updated version of spectrophotometer and other laboratory equipment. In particular, the Group will continue to approach potential customers in the business sectors that the YEI Group is operating in order to fulfill their demands and provide additional revenue stream for the Group, such as the sourcing of machinery and instruments in the petrochemical gas chromatography solution that are used in production activities of customers in the energy, salt chemical manufacturing and healthcare industries; and
- Discussion with third party suppliers in relation to the provision of distribution and after-sales services in the provinces and cities in the PRC which the Group do not currently has business presence, including the regions in the Southwest region in China that have not yet been explored by the Group in the past. Yunnan branch has been established to capitalise demand of the products of the Distribution Business by new customers.

Supply Chain Business

In view of the impact of the COVID-19 outbreak in HY2022, 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 June 2021, the Group entered into a one-year framework supply agreement with an independent Vietnam customer (which is principally engaged in the production and processing of stainless steel pipes) (the "Vietnam customer"), pursuant to which the Group would supply construction related materials, including stainless steel pipes, to its companies and customers in Vietnam. The products manufactured by its companies are sold to over 60 countries worldwide, such as the United States, Canada, India, Mexico, Sri Lanka, Brazil, the Philippines, Germany and the Netherlands. The Group is able to secure a stable supply of a wide range of high quality stainless steel pipes in the PRC with its seasoned management team's business network. In light of the above, the Group has signed a sales agreement to supply structural steel to the Vietnam customer in the first quarter of 2022. We also plan to continue to explore the business opportunities in exporting production and processing equipment to the Vietnam customer in the future. To ensure the sustainable development of the supply chain business, we will assist the Vietnam customer in expanding its production scale and strive to establish long-term relationship with the Vietnam customer. The Group expects to have 4,000 tons of stainless steel pipe business from its Vietnam operations in the second half of 2022.

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 has been participating in various tender activities from time to time, in order to further extend the Supply Chain Business in different industrial sectors and regions. In September 2021, the Group has successfully won the open tender for the supply contract of 50,000 tons of steam coal for Company A. Company A is a subsidiary of Company B which is one of the five largest power generation groups in PRC, and has a good cooperative relationship with the YEI Group in the energy field. Because the Ministry of Commerce of PRC implements a quota management system for imported coal, the energy central enterprises of Company B has huge demand for coal imports every year. Given the solid foundation of cooperation between the YEI Group and Company B in the past and the Group and its management team's sufficiently excellent qualifications, capital and resources in the international Supply Chain Business, the Group passed the qualification review and subsequently won the abovementioned open tender. Due to the market price of the steam coal has a significantly increase since the last quarter of 2021, the open tender for the supply contract of 50,000 tons was suspended. Apart from the steam coal business, as part of its supply chain expansion strategy, the Group anticipates expanding its coking coal trading capacity to 20,000 tons in the second half of 2022.
- In addition to the energy-related Supply Chain Business which is mentioned above, as the Supply Chain Business has gradually garnered its recognition among customers, the Group has made full use of the influence and resource advantage of our controlling shareholders in the Southwest region in China and attempted to seek diligently the potential opportunity for the Supply Chain Business in the three advantageous industries of "green energy, green food, healthy life destination" in Yunnan Province, expanding our customer base for the Supply Chain Business with regional features, in order to find a diversified Supply Chain Business with sustainable prospects for the Group. Based on the significant growth in the recognition and reputation of the Group's Supply Chain Business in the regions, apart from the ongoing coffee powder trading business, the Group also entered into a supply chain agreement in August 2022 with Company C for the purchase of 3,450 tons of rubber in 2022. Company C is a private enterprise that has invested in rubber plantations in Laos, with an annual rubber trading volume of approximately 30,000 tons, and it has received the largest number of alternative crop indicators in Yunnan Province. Our extensive experience in the Supply Chain Business allows us to quickly match rubber trading customers and industrial customers with rubber products that meet their sourcing requirements and reduce their sourcing costs.

- The Group's Supply Chain Business is currently handled by a seasoned management team of 7 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 4 years of experience in the international supply chain industry. Leveraging on the YEI Group's business network in overseas markets, the Group plans to set up teams for further development of 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, we can still carry out Supply Chain Business despite that the international trade is severely affected by the COVID-19, and win new tenders and the accelerate promotion of potential steel and other trading businesses. The Group will continue to expand its business team in response to the increasing level of business activities and market demand in the next 12 months.

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 YEI Group's existing overseas network, 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. The maintenance of good relationships with suppliers further enhances the competitive advantage and sustainability of the Supply Chain Business.

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

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS
DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, 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 HY2022 nor at any time during HY2022 was the Company nor any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except for the Share Option Schemes and the Share Award Scheme.

SHARE OPTION SCHEMES AND SHARE AWARD SCHEME

No share option had been granted, exercised, expired, cancelled or lapsed and there is no outstanding share option under the 2004 Share Option Scheme and the 2011 Share Option Scheme during HY2022.

During HY2022, 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 2022, 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%

Notes:

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

Save as disclosed above, as at 30 June 2022, 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 HY2022, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company’s listed securities on the SEHK or the Singapore Exchange Securities Trading Limited (“SGX-ST”).

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) has reviewed the unaudited interim results of the Group for HY2022, 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 HY2022.

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 HY2022.

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 HY2022.

PUBLICATION OF 2022 INTERIM RESULTS AND 2022 INTERIM REPORT

This interim results announcement and the 2022 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, 26 August 2022

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

* *For identification purpose only*