

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

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



雲能國際
YUNNAN ENERGY INTERNATIONAL

Yunnan Energy International Co. Limited

雲能國際股份有限公司*

(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 1298)

(Singapore Stock Code: T43)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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 2022 together with the comparative figures for the year ended 31 December 2021 as follows:

* For identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	4	288,089	84,106
Cost of sales		(274,524)	(80,994)
		<hr/>	<hr/>
Gross profit		13,565	3,112
Other income and gains, net	5	3,548	435
Gain on deregistration of a subsidiary		–	2,107
Selling and distribution expenses		(5,470)	(2,043)
Administrative expenses		(12,705)	(12,462)
Reversal of impairment losses/(impairment losses) of financial assets, net		(5,305)	4,590
Other expenses, net		(145)	(21,226)
Finance costs	6	(2,365)	(1,353)
		<hr/>	<hr/>
LOSS BEFORE TAX	7	(8,877)	(26,840)
Income tax	8	–	(112)
		<hr/>	<hr/>
LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		(8,877)	(26,952)
		<hr/> <hr/>	<hr/> <hr/>

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(7,765)	(928)
Release of exchange fluctuation reserve upon deregistration of a subsidiary		—	(586)
		<u>(7,765)</u>	<u>(1,514)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX			
		<u>(7,765)</u>	<u>(1,514)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
		<u><u>(16,642)</u></u>	<u><u>(28,466)</u></u>
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted	10	<u><u>(HK3.2 cents)</u></u>	<u><u>(HK9.8 cents)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	126	742
Right-of-use assets		–	936
Total non-current assets		126	1,678
CURRENT ASSETS			
Inventories		23,472	6,400
Trade receivables	12	44,555	64,105
Prepayments, deposits and other receivables	13	110,602	92,824
Cash and bank balances		43,090	103,122
Total current assets		221,719	266,451
CURRENT LIABILITIES			
Trade payables	14	5,767	1,993
Other payables and accruals		15,102	3,481
Due to a related party		177	–
Loan from an intermediate holding company		29,416	–
Loans from fellow subsidiaries		–	73,593
Lease liabilities		–	274
Total current liabilities		50,462	79,341
NET CURRENT ASSETS		171,257	187,110

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES	171,383	188,788
NON-CURRENT LIABILITIES		
Lease liabilities	–	763
Net assets	171,383	188,025
EQUITY		
Issued capital	107,420	107,420
Reserves	63,963	80,605
Total equity	171,383	188,025

NOTES:

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Principal activities

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 year ended 31 December 2022, the Group was involved in the following principal activities:

- Distribution of branded analytical and laboratory instruments and life science equipment (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 wholly owned by The State-owned Assets Supervision and Administration Commission of the Yunnan Provincial People’s Government of the PRC.

Basis of preparation of this announcement

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</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>
<i>Annual Improvements to IFRSs 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

3. OPERATING SEGMENT INFORMATION

Operating segment information

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

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

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

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

	Distribution Business		Supply Chain Business		Total	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	<u>7,860</u>	<u>12,518</u>	<u>280,229</u>	<u>71,588</u>	<u>288,089</u>	<u>84,106</u>
Segment results	<u>1,214</u>	<u>(14,981)</u>	<u>(4,326)</u>	<u>(7,785)</u>	<u>(3,112)</u>	<u>(22,766)</u>
Interest income					349	289
Interest expenses					(2,334)	(1,292)
Depreciation and amortisation					(689)	(1,815)
Corporate administrative expenses					<u>(3,091)</u>	<u>(1,256)</u>
Loss before tax					<u>(8,877)</u>	<u>(26,840)</u>

Geographical information

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<i>Revenue from external customers:</i>		
PRC (including Hong Kong and Macau)	130,027	49,204
Asia (other than the PRC)	101,303	33,651
Other areas	56,759	1,251
	<u>288,089</u>	<u>84,106</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 31 December 2022 and 2021 were located in the PRC (including Hong Kong and Macau).

Information about major customers

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A from the Supply Chain Business segment	101,303	36,686
Customer B from the Supply Chain Business segment	45,555	33,651
Customer C from the Supply Chain Business segment	31,468	N/A*
Customer D from the Distribution Business segment	N/A*	10,571
	<u>N/A*</u>	<u>10,571</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 year.

4. REVENUE

The Group's revenue for each of the years ended 31 December 2022 and 2021 were sales of goods, which were revenue from contracts with customers.

Notes:

Disaggregated revenue information

Year ended 31 December 2022

	Distribution Business HK\$'000	Supply Chain Business HK\$'000	Total HK\$'000
Types of goods or services and timing of revenue recognition			
Sale of goods, recognised at the point in time	<u>7,860</u>	<u>280,229</u>	<u>288,089</u>
Geographical markets			
PRC (including Hong Kong and Macau)	7,860	122,167	130,027
Asia (other than the PRC)	–	101,303	101,303
Other areas	–	56,759	56,759
Total revenue from contracts with customers	<u>7,860</u>	<u>280,229</u>	<u>288,089</u>

Year ended 31 December 2021

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

5. OTHER INCOME AND GAINS, NET

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other income		
Bank interest income	346	289
Remedy for late payment	544	66
Government subsidies	677	80
Tax refund	109	–
Others	40	–
	<u>1,716</u>	<u>435</u>
Gains, net		
Foreign exchange gain, net	1,728	–
Gain on termination of a lease	104	–
	<u>1,832</u>	<u>–</u>
	<u><u>3,548</u></u>	<u><u>435</u></u>

6. FINANCE COSTS

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on loan from an intermediate holding company	1,487	–
Interest on loans from fellow subsidiaries	847	1,292
Interest on lease liabilities	31	61
	<u>2,365</u>	<u>1,353</u>

7. LOSS BEFORE TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories sold	274,524	80,865
Depreciation of property, plant and equipment	488	641
Depreciation of right-of-use assets	201	402
Amortisation of computer software	–	772
Write-off of inventories [@]	–	11,537
Impairment losses of property, plant and equipment [@]	–	273
Impairment losses of computer software [@]	–	772
Impairment losses/(reversal of impairment losses) of financial assets, net:		
Write-off of trade receivables	–	609
Write-off of an other receivable	10,000	–
Trade receivables	(4,209)	(5,673)
Other receivables	(486)	474
	<u>5,305</u>	<u>(4,590)</u>
Charges for warehouse storage and logistic services [^]	<u>–</u>	<u>8,160</u>

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

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

8. INCOME TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current – PRC		
Charge for the year	–	112
	<u> </u>	<u> </u>

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 years.

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% (2021: 25%).

9. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (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 year attributable to shareholders of the Company of HK\$8,877,000 (2021: HK\$26,952,000), and the weighted average number of ordinary shares of 275,437,000 (2021: 275,437,000) in issue during the year.

No adjustment has been made to the basic loss per share amount presented for each of the years ended 31 December 2022 and 2021 for a dilution as the Group had no potential ordinary shares in issue during these years.

11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred HK\$16,000 (2021: HK\$727,000) for the acquisition of property, plant and equipment. During the year, the Group incurred HK\$105,000 (2021: HK\$1,031,000) for the disposal of property, plant and equipment.

12. TRADE RECEIVABLES

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Less than 90 days	18,006	56,000
91 to 120 days	9,015	–
121 to 365 days	9,539	8,105
1 to 2 years	7,995	–
	<u>44,555</u>	<u>64,105</u>

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Prepayments	(a)	55,516	30,673
Deposits and other receivables	(b)	5,083	2,612
Notes receivables		–	71
Receivable from a supplier	(c)	52,280	62,280
		<u>112,879</u>	<u>95,636</u>
Impairment allowance		<u>(2,277)</u>	<u>(2,812)</u>
		<u>110,602</u>	<u>92,824</u>

Notes:

- (a) Prepayments mainly comprise advance payments for purchase of inventories held for trading, prepaid rental and other expenses.
- (b) Deposits and other receivables mainly comprise tendering deposits, performance pledged deposits, rental deposits and value-added tax recoverable.
- (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. The Group received HK\$2,000,000 in March 2023 and expects to receive the remaining outstanding amount by 31 December 2023.

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Less than 60 days	<u>5,767</u>	<u>1,993</u>

BUSINESS REVIEW

For the year ended 31 December 2022, the principal activities of Yunnan Energy International Co. Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) are: (1) the provision of distribution and after-sales services in the PRC for different analytical instruments, including chromatographs, spectrophotometers, electronic microscopes, life science and general laboratory instruments, with specialised and customised hardware and software, to provide solutions and facilitate scientific analysis and testing (the “**Distribution Business**”); and (2) the trading and supply chain business on diversified industrial and consumer products (the “**Supply Chain Business**”).

Distribution Business

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

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

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. 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 2022, 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 2022, the Group adjusted its direction in a timely manner and diverted 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 the bid and carried out a number of trading of laboratory analytical instruments or trading 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 signed the purchase and sales contract and sales contracts of ultra-high-definition electronic endoscopy system, spiral CT, radio frequency therapeutic instrument system and immune analysis sampling system, respectively. In 2022, the Group has entered into contracts related to the Distribution Business of a total amount of HK\$25.8 million, and achieved a revenue of HK\$7.9 million and a gross profit of HK\$0.4 million during the year.

For the year ended 31 December 2022 (“FY2022”), the revenue from the Distribution Business decreased by HK\$4.6 million or 36.8% to HK\$7.9 million from HK\$12.5 million for the year ended 31 December 2021 (“FY2021”) due to the reasons as explained below.

For FY2022, 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 decreased.

Supply Chain Business

In FY2022, 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 2022, we recorded a revenue of HK\$280.2 million, a gross profit of HK\$13.2 million and a gross profit margin of approximately 4.7%. In particular, the international trading business recorded a revenue of HK\$158.1 million and a gross profit of HK\$10.2 million, firstly due to the entering into more than 70 export contracts (including daily necessities, electronic products, control equipment, etc.) involving countries such as Vietnam, Australia, Germany, Canada and Guatemala with an export amount of approximately HK\$56.8 million throughout the year, and secondly due to the substantial growth of export of stainless steel to Vietnam where more than 10 batches of export were made throughout the year with a sales amount of approximately HK\$101.3 million. (In 2021, the international trading business recorded a revenue of HK\$34.9 million, a gross profit of HK\$1.6 million, and a gross profit margin of 4.6%.) The domestic trading business recorded a revenue of approximately HK\$122.1 million and a gross profit of HK\$3.0 million, which involved the trading of rubber, coffee powder, building materials, coal, etc. Throughout the year, revenue from the trading of rubber amounted to HK\$36.4 million; revenue from the trading of coffee powder amounted to HK\$45.5 million; revenue from the trading of steel products amounted to HK\$31.5 million; and revenue from the trading of coal amounted to HK\$8.7 million. (In 2021, the domestic trading business recorded a revenue of HK\$36.7 million and a gross profit of HK\$0.4 million.) Both international trade and domestic trade supply chain companies achieved substantial growth in 2022, with the revenue of international trade increasing by 4.5 times and the revenue of domestic trade increasing by 3.3 times. The Company has maintained a good momentum of development.

In FY2022, the revenue from the Supply Chain Business increased by HK\$208.6 million or 291.3% to HK\$280.2 million from HK\$71.6 million for FY2021. The Group has sold around 11,141 tons of stainless steel pipes and structural steel as well as around 7,600 tons of coal in FY2022. The Group has also entered into supply agreements of 60 tons of coffee powder in FY2022.

The Group’s total revenue increased by HK\$204.0 million or 242.6% to HK\$288.1 million for FY2022 from HK\$84.1 million for FY2021, mainly attributable to the increase in revenue from sales of goods in the Supply Chain Business as the Group continues to develop the Supply Chain Business, and aims to extend 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 FY2022 decreased by 67.0% to HK\$8.9 million from HK\$27.0 million in FY2021 mainly due to (i) the increase in both the revenue and the corresponding gross profit of the Supply Chain Business; (ii) the absence of provision for inventories; and (iii) the decrease in charges for warehouse storage and logistic services which were recorded in FY2021.

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 FY2022, 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 decreased.

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 FY2022 increased by HK\$208.6 million or 291.3% to HK\$280.2 million from HK\$71.6 million for FY2021.

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 FY2022 as Supply Chain Business' financial results have contributed to the Group's revenue growth.

Revenue

Revenue in FY2022 increased by HK\$204.0 million or 242.6% to HK\$288.1 million from HK\$84.1 million for FY2021, mainly attributable to the higher revenue contribution from the Supply Chain Business, partly offset by the drop in revenue from the Distribution Business, as explained above.

Cost of sales

Cost of sales in FY2022 increased by 238.9% to HK\$274.5 million from HK\$81.0 million in FY2021. The increase was in line with the revenue growth.

Gross profit and gross profit margin

The gross profit in FY2022 increased by 338.7% to HK\$13.6 million from HK\$3.1 million in FY2021. The gross profit margin in FY2022 was 4.7% compared to 3.7% in FY2021. The gross profit margin increased mainly due to the increased revenue contribution from the Supply Chain Business which enjoys a higher gross profit margin in FY2022.

Other income and gains, net

Other income and gains, net in FY2022 increased by 775.0% to HK\$3.5 million from HK\$0.4 million in FY2021. The increase was mainly due to the increase of bank interest income, remedy for late payment, government subsidies and gain on foreign exchange in FY2022.

Selling and distribution expenses

Selling and distribution expenses in FY2022 increased by 175.0% to HK\$5.5 million from HK\$2.0 million in FY2021, mainly due to increase in freight as a result of increased sales activities in asia and other areas.

Administrative expenses

Administrative expenses in FY2022 increased by 1.6% to HK\$12.7 million from HK\$12.5 million in FY2021, mainly due to the further increase in staff costs.

Other expenses, net

Other expenses, net in FY2022 decreased by 99.5% to HK\$0.1 million from HK\$21.2 million in FY2021, mainly due to the absence of the write-off of inventories and the charges of warehouse storage and logistics service.

Finance costs

Finance costs in FY2022 increased by 71.4% to HK\$2.4 million from HK\$1.4 million in FY2021, mainly due to a higher average loan principal amount outstanding during FY2022.

Loss for the year

In view of the above, the Group's loss for FY2022 decreased by 67.0% to HK\$8.9 million from HK\$27.0 million in FY2021.

Consolidated Statement of Financial Position

Inventories

Inventories increased by HK\$17.1 million from HK\$6.4 million as at 31 December 2021 to HK\$23.5 million as at 31 December 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 decreased by HK\$19.5 million from HK\$64.1 million as at 31 December 2021 to HK\$44.6 million as at 31 December 2022, mainly due to the decrease 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 increased by HK\$3.8 million from HK\$2.0 million as at 31 December 2021 to HK\$5.8 million as at 31 December 2022, mainly due to the increase in trade payables of the Supply Chain Business which are less than 60 days as a result of the increase in cost of sales.

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 2022, nor were there other material acquisitions and disposals of subsidiaries, associates and joint ventures by the Group during FY2022. 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 2022.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Group did not have any material contingent liabilities or capital commitment as at 31 December 2022 and 2021.

EXPOSURE TO FLUCTUATIONS ON EXCHANGE RATES

The Group's transactions are mainly denominated in United States dollars, Hong Kong dollars and Renminbi. Therefore, the Group is exposed to foreign currency exchange risk. The Group has not implemented any foreign currency hedging policy at the moment. However, continuous monitoring on the foreign exchange exposure is carried out by the management and the management will consider hedging against significant foreign exchange exposure should the need arise.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2022, the Group's net current assets amounted to HK\$171.3 million (2021: HK\$187.1 million), of which the bank balances and cash were HK\$43.1 million (2021: HK\$103.1 million). The Group's current ratio was 4.4 (2021: 3.4).

Total loans from fellow subsidiaries and an intermediate holding company as at 31 December 2022 was Nil (2021: HK\$73.6 million) and HK\$29.4 million (2021: Nil). All the Group's loans were denominated in Renminbi. The Group's gearing ratio stood at 17.2% as at 31 December 2022 (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.

PROSPECTS

The Group will continue to focus on both the Distribution Business and Supply Chain Business, with a view to continuously increasing its business scale and broadening the customer base, 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 the first quarter of 2023, the Group further made substantial breakthroughs and carried out a number of procurement of medical equipment from independent third parties and entered into contracts including sales contract of electronic bronchoscope and lung function detector; sales contract of electronic Gastroenteroscopy and electronic bronchoscopy, and sales contract of linear accelerator. Since 1 January 2023 and up to mid-March 2023, the Group has entered into contracts related to the Distribution Business of a total contract amount of HK\$52.9 million and achieved in sales approximately HK\$13.2 million, and is closely tracking the MRI procurement project with a contract amount of approximately HK\$21.0 million. It is expected that sales of HK\$73.45 million can be achieved in the second to third quarters of 2023.
- 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

Given the impact of COVID-19 in 2022, the Group conducts detailed review of its operations and makes adjustment to its sales strategies to explore new potential projects, enhance its revenue stream and improve its profitability from time to time. Accordingly, the Group has been actively developing the Supply Chain Business in both domestic and overseas markets. The 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 import trade to gradually realise the two-wheel driven import and export trade.
- At the same time, the Group will continue to strengthen in-depth cooperation with expressway operators, and explore long-term cooperation models for other expressway construction projects. The Group will also continue to actively source customers to further develop the 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 broker and inspector. He has worked in Cambodia, Laos and other Southeast Asian countries and foreign economic and trade enterprises in Yunnan Province for several years. He has more than 20 years of rich international experience and trade experience and overseas work background, and long been engaged in the import and export trade of coke, coal, machinery and equipment, fertilisers, 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 international Supply Chain Business, including but not limited to construction materials, medical devices and energy. Under the management organisation of Mr. Ma, the Group has formed the seasoned management team with efficient customs declaration advantages and broad trade category advantages, it 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, 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 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 its own 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 will continue to strive to locate and maintain customers with overseas energy import and export needs by leveraging 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, overseas network advantage and our seasoned management team, so as to expand customer base and increase income source to 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, conduct in-depth exploration of business resources, and enhance its connections with potential customers and supplies in each region. The maintenance of good relationships with suppliers further enhances the competitive advantage and sustainability of the Supply Chain Business.

Given an improving financial performance, with the formulated business plans 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 unfavourable situation, improve operating efficiency, and further create value for shareholders.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2022, there were 21 (2021: 17) employees in the Group. The total staff cost of the Group amounted to approximately HK\$5.6 million for the year ended 31 December 2022. Staff remuneration packages are determined after considering the market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses to eligible staff based on their performance and contributions to the Group.

FINAL DIVIDEND

The Board has not declared a final dividend for the year ended 31 December 2022.

ANNUAL GENERAL MEETING

It is proposed that the 2023 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 FY2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The audit committee of the Board (the “**Audit Committee**”), comprising three independent non-executive Directors, namely Mr. Shi Fazhen, Mr. Liu Zongliu and Ms. Jing Pilin, has reviewed the annual results and the consolidated financial statements of the Group for the financial year ended 31 December 2022, 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 FY2022.

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 FY2022.

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 FY2022.

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 FY2022.

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 2022 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 FY2022 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
HU Xiangwei
Director

Hong Kong, 24 March 2023

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.