

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 2023**

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 2023 together with the comparative figures for the year ended 31 December 2022 as follows:

* For identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	4	341,863	288,089
Cost of sales		<u>(331,780)</u>	<u>(274,524)</u>
Gross profit		10,083	13,565
Other income and gains, net	5	2,675	3,548
Selling and distribution expenses		(902)	(5,470)
Administrative expenses		(13,684)	(12,705)
Reversal of impairment losses/(impairment losses) on financial assets, net		1,275	(5,305)
Other expenses, net		(16)	(145)
Finance costs	6	<u>(4,059)</u>	<u>(2,365)</u>
LOSS BEFORE TAX	7	(4,628)	(8,877)
Income tax	8	<u>(342)</u>	<u>–</u>
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		<u>(4,970)</u>	<u>(8,877)</u>
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(1,084)</u>	<u>(7,765)</u>
		<u>(1,084)</u>	<u>(7,765)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		<u>(6,054)</u>	<u>(16,642)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY OWNERS OF THE PARENT			
Basic and diluted	10	<u>(HK1.8 cents)</u>	<u>(HK3.2 cents)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	11	<u>126</u>	<u>126</u>
Total non-current assets		<u>126</u>	<u>126</u>
CURRENT ASSETS			
Inventories		40,614	23,472
Trade receivables	12	93,102	44,555
Prepayments, deposits and other receivables	13	64,297	110,602
Cash and bank balances		<u>120,618</u>	<u>43,090</u>
Total current assets		<u>318,631</u>	<u>221,719</u>
CURRENT LIABILITIES			
Trade payables	14	29,823	5,767
Other payables and accruals		32,159	15,279
Loan from an intermediate holding company		<u>91,446</u>	<u>29,416</u>
Total current liabilities		<u>153,428</u>	<u>50,462</u>
NET CURRENT ASSETS		<u>165,203</u>	<u>171,257</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>165,329</u>	<u>171,383</u>
Net assets		<u><u>165,329</u></u>	<u><u>171,383</u></u>
EQUITY			
Issued capital		107,420	107,420
Reserves		<u>57,909</u>	<u>63,963</u>
Total equity		<u><u>165,329</u></u>	<u><u>171,383</u></u>

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 2023, 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 commodities, 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 D2 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 new and revised IFRSs for the first time for the current year’s financial statements:

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

Except for Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* as described below, none of the above new and revised IFRSs has had a significant financial effect on the Group's financial statements.

Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments and the mandatory temporary exception retrospectively.

The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred.

The Group has assessed its potential exposure based on the information available regarding the financial performance of the Group in the current year. As such, it may not be entirely representative of future circumstances. Based on the assessment, the Group's effective tax rates in all jurisdictions in which it operates are above 15% and the directors of the Company are not currently aware of any circumstances under which they might change. Therefore, the Group does not expect potential exposure to Pillar Two "top-up" taxes.

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 commodities, 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	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Segment revenue	<u>57,257</u>	<u>7,860</u>	<u>284,606</u>	<u>280,229</u>	<u>341,863</u>	<u>288,089</u>
Segment results	<u>(1,759)</u>	<u>1,214</u>	<u>5,613</u>	<u>(4,326)</u>	<u>3,854</u>	<u>(3,112)</u>
Interest income					357	346
Interest expenses					(4,059)	(2,334)
Depreciation and amortisation					(61)	(689)
Corporate administrative expenses					<u>(4,719)</u>	<u>(3,088)</u>
Loss before tax					<u>(4,628)</u>	<u>(8,877)</u>

Geographical information

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<i>Revenue from external customers:</i>		
PRC (including Hong Kong and Macau)	277,166	130,027
Asia (other than the PRC)	61,819	101,303
Other areas	2,878	56,759
	<u>341,863</u>	<u>288,089</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 2023 and 2022 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A from the Supply Chain Business segment	61,483	45,555
Customer B from the Supply Chain Business segment	40,879	101,303
Customer C from the Supply Chain Business segment	N/A*	31,468
Customer D from the Distribution Business segment	42,762	N/A*
Customer E from the Supply Chain Business segment	51,005	N/A*
Customer F from the Supply Chain Business segment	44,773	N/A*

* The corresponding revenue of these customers is not disclosed as they individually did not contribute 10% or more of the Group's total revenue for the relevant years.

4. REVENUE

The Group's revenue for each of the years ended 31 December 2023 and 2022 was derived from sales of goods, which represented revenue from contracts with customers.

Notes:

Disaggregated revenue information

Year ended 31 December 2023

	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>57,257</u>	<u>284,606</u>	<u>341,863</u>
Geographical markets			
PRC (including Hong Kong and Macau)	57,257	219,909	277,166
Asia (other than the PRC)	–	61,819	61,819
Other areas	–	2,878	2,878
Total revenue from contracts with customers	<u>57,257</u>	<u>284,606</u>	<u>341,863</u>

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>

5. OTHER INCOME AND GAINS, NET

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other income		
Bank interest income	357	346
Compensation from suppliers	862	544
Government subsidies	–	677
Tax refund	–	109
Others	10	40
	<u>1,229</u>	<u>1,716</u>
Gains, net		
Foreign exchange gain, net	1,209	1,728
Gain on termination of a lease	–	104
Fair value gains of derivative financial instruments, net	237	–
	<u>1,446</u>	<u>1,832</u>
	<u><u>2,675</u></u>	<u><u>3,548</u></u>

6. FINANCE COSTS

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on a loan from an intermediate holding company	4,059	1,487
Interest on loans from fellow subsidiaries	–	847
Interest on lease liabilities	–	31
	<u>4,059</u>	<u>2,365</u>

7. LOSS BEFORE TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of inventories sold	331,780	274,524
Depreciation of property, plant and equipment	61	488
Amortisation of right-of-use assets	–	201
Impairment losses/(reversal of impairment losses) of financial assets, net:		
Write-off of an other receivable	379	10,000
Trade receivables	4	(4,209)
Other receivables	(1,658)	(486)
	<u>(1,275)</u>	<u>5,305</u>

8. INCOME TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current – PRC		
Charge for the year	<u>342</u>	<u>–</u>

Notes:

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

No provision for Hong Kong profit tax and Macau income tax was made as the Group did not have any assessment profits arising from Hong Kong and Macau for both years.

Under the Law on Corporate Income Tax of the PRC (the “**PRC Corporate Income Tax Law**”) and the Implementation Regulation of the PRC Corporate Income Tax Law, the income tax rate applicable to subsidiaries established in the PRC is 25% (2022: 25%).

9. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY OWNERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity owners of the parent of HK\$4,970,000 (2022: HK\$8,877,000), and the weighted average number of ordinary shares of 275,437,000 (2022: 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 2023 and 2022 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\$65,000 (2022: HK\$16,000) for the acquisition of property, plant and equipment. No disposal of property, plant and equipment was incurred during the year. The carrying amount of HK\$105,000 of property, plant and equipment was disposal in prior year.

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Less than 90 days	77,712	18,006
91 to 120 days	–	9,015
121 to 365 days	1,956	9,539
1 to 2 years	13,434	7,995
	<u>93,102</u>	<u>44,555</u>

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Prepayments	(a)	54,187	55,516
Deposits and other receivables	(b)	1,711	1,809
Value-added tax recoverable		9,012	3,274
Receivable from a supplier	(c)	–	52,280
		<u>64,190</u>	112,879
Impairment allowance		(613)	(2,277)
		<u>64,297</u>	<u>110,602</u>

Notes:

- (a) Prepayments mainly comprise advance payments for purchase of inventories held for trading and other expenses.
- (b) Deposits and other receivables mainly comprise tendering deposits and performance pledged deposits.
- (c) The amount was due from Techcomp Instrument Limited and its subsidiaries (collectively the “**Techcomp Instrument Group**”, a group controlled by Messrs. Lo Yat Keung and Chan Wai Shing, who were key management personnel of the Group up to 30 September 2019). The balance was fully settled during the year.

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Less than 60 days	28,638	5,767
61 to 180 days	1,152	–
Over 181 days	33	–
	<u>29,823</u>	<u>5,767</u>

15. EVENT AFTER THE REPORTING PERIOD

On 19 January 2024, the Group entered into an equity transfer agreement with Yunnan Energy Investment Development Co., Ltd (the “**Vendor**”), an indirect wholly-owned subsidiary of Yunnan Provincial Energy Investment Group Co., Ltd, and YEIG Dayao Green Energy Generation Co., Ltd. (“**Dayao Green Energy**”), a wholly-owned subsidiary of the Vendor, pursuant to which (i) the Vendor has agreed to sell, and the Company has agreed to acquire, approximately 6.67% equity interest in Dayao Green Energy at nil consideration; and (ii) the Company has agreed to make a capital contribution of RMB50,000,000 into Dayao Green Energy following the completion of the equity transfer. For further details, please refer to the announcement of the Company dated 19 January 2024 and the circular of the Company dated 23 February 2024.

As of the date of this announcement, save as disclosed above, there was no significant event affecting the Group which occurred after the end of 31 December 2023.

BUSINESS REVIEW

For the year ended 31 December 2023 (“**FY2023**”), 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 commodities, 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 hospital, universities, research institutions, companies in the industrial sector and government agencies. All 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 FY2023, the Group continued to seize the opportunity of the national subsidy policy for equipment procurement and interest loans for Grade 3A hospitals in Yunnan Province, and established stable business cooperation with many Grade 3A hospitals in Yunnan Province and state-owned medical enterprises or medical equipment distributors with good qualifications in Yunnan Province. The Group won the bid and carried out procurement, distribution and trading of medical devices, and entered into contracts with independent third parties, including purchase and sales contracts for electronic bronchoscopy, pulmonary function detection, electronic gastrointestinal endoscopy, linear accelerator, magnetic resonance imaging, biological stimulation feedback instrument, color Doppler ultrasound diagnosis and fully automatic microbial mass spectrometry detection. As of the end of 2023, the Company has entered into sales contracts related to the Distribution Business with a total amount of approximately HK\$110 million, and achieved a revenue of approximately HK\$57.3 million from the distribution of precision instruments in FY2023, which grew significantly compared to FY2022. As a result of the delay in procurement and distribution of several medical devices due to the renovation of the medical departments of the customers, the Group had to delay the provision of goods and services to the customers, which led to deferred recognition of respective revenue as compared to the medium-term forecast.

For FY2023, the revenue from the Distribution Business increased by HK\$49.4 million or 625.3% to HK\$57.3 million from HK\$7.9 million for the year ended 31 December 2022 (“FY2022”) due to the reasons as explained below.

For FY2023, the revenue from the Distribution Business in the Mainland China increased due to the resumption of normal sales and after-sales services and equipment procurement.

Supply Chain Business

In FY2023, the Group continued to conduct the trading and supply chain business on commodities, diversified industrial and consumer products, primarily relating to construction materials, agricultural and metals commodities, consumer products, and medical devices, 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, companies engaged in the trading and supply of coffee powder in Yunnan, and companies in phosphate rock, coal, rubber tyres, panax notoginseng 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 FY2023, we recorded a revenue of HK\$284.6 million, a gross profit of HK\$9.1 million and a gross profit margin of approximately 3.2%. In particular, the international trading business recorded a revenue of HK\$64.7 million, a gross profit of HK\$2.5 million and a gross profit margin of approximately 3.9%. Firstly, the business of stainless steel and equipment export to Vietnam was carried out steadily where more than 7 batches of export of stainless steel coils and export of equipment were made throughout the year, with sales of approximately HK\$40.9 million, gross profit of HK\$0.2 million and gross profit margin of 0.5%. Secondly, with respect to the tower and wire business, 14 batches of export to Laos were made, with sales of approximately HK\$14.9 million, gross profit of HK\$1.3 million and gross profit margin of 8.7%. Thirdly, with respect to the fertilizer business, two batches of export to Laos totalling 660 tons were made, with sales of approximately HK\$3.0 million, gross profit of HK\$0.1 million and gross profit margin of 3.3%. Fourthly, the export of electrolytic devices was HK\$2.3 million, with gross profit of HK\$0.1 million and gross profit margin of 4.3%. Fifthly, the export contract with an export amount of HK\$2.9 million. Sixthly the re-export of electrolytic copper with a re-export amount of HK\$0.7 million. (In FY2022, the international trading business recorded a revenue of HK\$158.1 million, a gross profit of HK\$10.2 million and a gross profit margin of 6.5%). The international trading business segment progressed steadily and the Group maintained a good growth momentum.

The domestic trading business recorded a revenue of approximately HK\$219.9 million, a gross profit of HK\$6.6 million and a gross profit margin of approximately 3.0% (In FY2022, the domestic trading business recorded a revenue of approximately HK\$122.1 million, a gross profit of HK\$3.0 million and a gross profit margin of approximately 2.5%), which involved the trading of rubber, coffee powder, panax notoginseng, copper concentrate, phosphate rock, steel products, etc. Throughout the year, revenue from the trading of rubber amounted to HK\$23.3 million, a gross profit of HK\$0.6 million and a gross profit margin of 2.6%; revenue from the trading of coffee powder amounted to HK\$61.5 million, a gross profit of HK\$2.8 million and a gross profit margin of 4.6%; revenue from the trading of panax notoginseng amounted to HK\$77.0 million, a gross profit of HK\$1.6 million and a gross profit margin of 2.1%; revenue from the trading of copper concentrate amounted to HK\$44.8 million, a gross profit of HK\$1.3 million and a gross profit margin of 2.9%; revenue from the trading of phosphate rock amounted to HK\$10.1 million, a gross profit of HK\$0.2 million and a gross profit margin of 2.0%; and revenue from the trading of steel products amounted to HK\$3.2 million, a gross profit of HK\$0.1 million and a gross profit margin of 3.1%.

In FY2023, the revenue from the Supply Chain Business increased by HK\$4.4 million or 1.6% to HK\$284.6 million from HK\$280.2 million for FY2022. The Group has sold around 1,537.27 tons of stainless steel raw materials and three sets of stainless steel production equipment in FY2023. The Group has entered into supply agreements of 92 tons of coffee powder in FY2023.

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 FY2023, for the Distribution business, both the sales and after-sales activities had returned to normal as well as the equipment purchase, the revenue from the Distribution Business has increased.

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 FY2023 increased by HK\$4.4 million or 1.6% to HK\$284.6 million from HK\$280.2 million for FY2022.

Despite the changes to the Company's directors and management in FY2023 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 FY2023 as the Distribution Business and the Supply Chain Business' financial results have contributed to the Group's revenue growth.

Revenue

Revenue in FY2023 increased by HK\$53.8 million or 18.7% to HK\$341.9 million from HK\$288.1 million for FY2022, mainly attributable to the higher revenue contribution from the Distribution Business.

Cost of sales

Cost of sales in FY2023 increased by 20.9% to HK\$331.8 million from HK\$274.5 million in FY2022. The increase was in line with the revenue growth.

Gross profit and gross profit margin

The gross profit in FY2023 decreased by 25.7% to HK\$10.1 million from HK\$13.6 million in FY2022. The gross profit margin in FY2023 was 3.0% compared to 4.7% in FY2022. The gross profit margin decreased mainly due to the increased revenue contribution from the Distribution Business which has a lower gross profit margin in FY2023.

Other income and gains, net

Other income and gains, net in FY2023 decreased by 22.9% to HK\$2.7 million from HK\$3.5 million in FY2022. The decrease was mainly due to the absence of government subsidies in FY2023.

Selling and distribution expenses

Selling and distribution expenses in FY2023 decreased by 83.6% to HK\$0.9 million from HK\$5.5 million in FY2022, mainly due to decrease in freight as a result of decreased sales activities in Asia and other areas.

Administrative expenses

Administrative expenses in FY2023 increased by 7.9% to HK\$13.7 million from HK\$12.7 million in FY2022, mainly due to the further increase in staff costs.

Other expenses, net

Other expenses, net in FY2023 decreased by 89.0% to HK\$16 thousands from HK\$0.1 million in FY2022, 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 FY2023 increased by 70.8% to HK\$4.1 million from HK\$2.4 million in FY2022, mainly due to a higher average loan principal amount outstanding during FY2023.

Loss for the year

In view of the above, the Group's loss for FY2023 decreased by 43.8% to HK\$5.0 million from HK\$8.9 million in FY2022, mainly due to the reversal of impairment loss of financial assets, net for FY 2023.

Consolidated Statement of Financial Position

Inventories

Inventories increased by HK\$17.1 million from HK\$23.5 million as at 31 December 2022 to HK\$40.6 million as at 31 December 2023, mainly due to the increase in inventories of coffee powder and phosphate rock 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\$48.5 million from HK\$44.6 million as at 31 December 2022 to HK\$93.1 million as at 31 December 2023, mainly due to the increase in trade receivables of the Supply Chain Business which are less than 90 days as a result of the increase in revenue.

Trade payables

Trade payables increased by HK\$24.0 million from HK\$5.8 million as at 31 December 2022 to HK\$29.8 million as at 31 December 2023, 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 2023, nor were there other material acquisitions and disposals of subsidiaries, associates and joint ventures by the Group during FY2023. 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 2023.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Group did not have any material contingent liabilities or capital commitment as at 31 December 2023 and 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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2023, the Group's net current assets amounted to HK\$165.2 million (2022: HK\$171.3 million), of which the bank balances and cash were HK\$120.6 million (2022: HK\$43.1 million), which were entirely denominated in United States dollars, Hong Kong dollars and Renminbi. The Group's current ratio was 2.1 (2022: 4.4).

Total loans from an intermediate holding company as at 31 December 2023 was HK\$91.4 million (2022: HK\$29.4 million). All the Group's loans were denominated in Renminbi at an interest rate of 4% per annum. The Group's gearing ratio stood at 55.3% as at 31 December 2023 (2022: 17.2%), which is calculated based on the Group's total interest-bearing debts over the total equity. The Group adopts centralised financing and treasury policies in order to ensure that group financing is managed efficiently. The Group also regularly monitors its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short term and long term.

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 Southwest China. Set out below is a summary of the key business plans:

- The Group will expand its external customer channel resources in multiple aspects and strive to increase the number of newly signed sales contracts in 2024. In the early stage of carrying out the medical-related business, the Group has accumulated experience with some reputable international brands namely Thermo Fisher, Olympus, Philips and GM. The Group has also established a relationship with suppliers or distributors with good reputation and qualifications in Yunnan Province. At the end of 2024, the Group will, upon assessment of the risk associated with payment collection, actively participate in the public tender and bidding projects for medical equipment of high-end large Grade 3A hospitals in the three provinces of Southwest China, and continuously expand new project cooperation opportunities through direct trade to hospitals, so as to enhance the sales results and profitability of the Distribution Business. In the first two months of 2024, the Group signed sales order contracts for the Distribution Business totalling HK\$5.4 million.
- The Group is actively exploring potential customers in Southwest China and providing a wide range of the Group's products and services based on the customers' procurement plan, so as to meet the needs of potential customers in different industries and expand the distribution trading market in various aspects.

Supply Chain Business

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 2024, 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 explore new customers of the same category, export of new energy products and certain import trade to gradually realise the two-wheel driven import and export trade.
- 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 green energy project investment in Yunnan Province and overseas to explore the expansion of the installed capacity of 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 Yunnan Province and southeast Asia including Laos and Myanmar to engage in green energy investment projects in Yunnan Province, Myanmar and Laos.

In 2024, through investing in green energy projects in Yunnan Province, the Company will accumulate experience in green energy project investment and operation, so as to better position the Company for the implementation of the strategy to further explore the green energy market in Southeast Asia. In 2024, the Company will actively consider stepping up investment in high-quality green energy projects to improve the Group's profitability, thereby promoting the Group's long-term development and creating value for shareholders.

It is planned that in 2024, 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 energy, modern logistics and green energy new materials in Yunnan Province, Southwest China and Southeast Asia, overseas network advantage, technology professionals and our seasoned management team, so as to expand customer base and increase income source to create a global supply chain network and expand green energy investment opportunities.

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 2023, there were 28 (2022: 21) employees in the Group. The total staff cost of the Group amounted to approximately HK\$6.0 million for FY2023. 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 FY2023.

ANNUAL GENERAL MEETING

It is proposed that the 2024 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 FY2023, 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 FY2023, 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 C1 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 FY2023.

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 FY2023.

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 C3 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 FY2023.

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 FY2023.

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 FY2023 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 FY2023 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, 15 March 2024

As of the date of this announcement, the Board comprises Mr. HU Xiangwei, Ms. ZHU Yingxue, Mr. YANG Jie, Mr. WANG Jin and Mr. SONG Henan as the executive Directors; and Mr. SHI Fazhen, Mr. LIU Zongliu and Ms. JING Pilin as the independent non-executive Directors.