



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)

2021
Interim Report

* for identification purpose only



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

YAN Jiong (Chairman)
HU Xiangwei (Chief Executive Officer)
JIANG Wei
ZHAO Na
SONG Henan

Independent Non-executive Directors

SHI Fazhen
LIU Zongliu
JING Pilin

AUDIT COMMITTEE

SHI Fazhen (Chairman)
LIU Zongliu
JING Pilin

NOMINATION COMMITTEE

YAN Jiong (Chairman)
HU Xiangwei
SHI Fazhen
LIU Zongliu
JING Pilin

REMUNERATION COMMITTEE

SHI Fazhen (Chairman)
YAN Jiong
HU Xiangwei
LIU Zongliu
JING Pilin

COMPANY SECRETARY

NG King Hang

BERMUDA RESIDENT REPRESENTATIVE AND ASSISTANT SECRETARY

Ocorian Services (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10 Bermuda
Bermuda Company Registration
Number 34778

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2008, 20/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

SINGAPORE SHARE TRANSFER AGENT

M & C Services Private Limited
112 Robinson Road
#05-01
Singapore 068902

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Ernst & Young

COMPANY WEBSITE

www.yeigi.com

MANAGEMENT DISCUSSION AND ANALYSIS

(I) BUSINESS REVIEW

For the six months ended 30 June 2021, 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 for different analytical instruments, including chromatographs, spectrophotometers, electronic microscopes, life science and general laboratory instruments, with specialised and customised hardware and software, to provide solutions and facilitate scientific analysis and testing for a variety of businesses and institutions, including universities, research institutions, companies in the industrial sector and government agencies (the “Distribution Business”); and (2) the trading and supply chain business on the construction materials and medical devices (the “Supply Chain Business”).

Distribution Business

The Distribution Business is the provision of distribution and after-sales services in the PRC for various brands of scientific instruments, including chromatographs, spectrophotometers, electronic microscopes, life science and general laboratory instruments, with specialised and customised hardware and software to provide solutions and facilitate scientific analysis and testing for a variety of businesses and institutions. The business is mainly conducted through identifying the demands of the 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 Company 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.

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.

Over the years, the Group has been following our extensive customer base in the PRC and a vast sales network associated with the Group's PRC offices in Beijing, Shanghai and Macau to identify and discuss with the existing and potential customers on product specifications, provision of after-sale services. In the meanwhile, the Group will approach the potential customers through the tender activities and exhibition.

During the period, revenue from the Distribution Business decreased significantly as compared to the previous period as the business was affected by the continuous of novel coronavirus disease (“COVID-19”). Sales personnel had to reduce their sales activities while the clients also delayed or suspended the purchase of relevant equipment in view of the epidemic prevention work.

For the six months ended 30 June 2021 (“HY2021”), the revenue from the Distribution Business decreased by HK\$36.5 million or 95.1% to HK\$1.9 million from HK\$38.4 million for the six months ended 30 June 2020 (“HY2020”), mainly attributable to the drop in orders as a result of the impact of the COVID-19 and the decrease in the number of sales personnel.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) BUSINESS REVIEW (CONTINUED)

Supply Chain Business

In 2020, the Group, through Shenzhen Yunneng International Supply Chain Limited, a wholly-owned subsidiary of the Company, commenced the Supply Chain Business, primarily relating to construction materials and medical devices, in response to market changes brought by the COVID-19 pandemic and to broaden its revenue stream. The business is mainly conducted through identifying the requirements of the 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 a company engaged in the trading and supply of construction materials in the PRC, which is one of the earliest state-owned large-scale integrated backbone construction enterprises established in Yunnan Province and holds a Class 1 Construction Qualification Certificate issued by the Ministry of Construction, and a company engaged in the production and processing of stainless steel pipes in Vietnam.

The Group leverages on its extensive customer base established through the Distribution Business 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 will participate 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 has entered into the Supply Chain Business on the construction materials and medical devices in 2020. The revenue from the Supply Chain Business on the construction materials was HK\$17.4 million for HY2021.

The Group’s total revenue decreased by HK\$19.1 million or 49.7% to HK\$19.3 million from HK\$38.4 million for HY2020, mainly attributable to the decrease in revenue from sales of goods.

The Group’s loss for HY2021 increased by 317.5% to HK\$29.5 million from HK\$7.1 million in HY2020 mainly due to (i) the decline in turnover of the Group resulting from the economic and financial impact of the COVID-19 which has been ongoing for approximately 18 months and (ii) the increase in impairment losses on inventories.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) FINANCIAL REVIEW

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

The reason for the declining financial performance of the Distribution Business from 2018 to 2019 was due to the downward trend of the global economy growth and economic uncertainties caused by ongoing United States-PRC trade argument in 2019, the Company purchased more inventories from other suppliers which are located in the Asia Pacific region. The Company concentrated the sales activities among the Beijing, Shanghai and Guangzhou as the change of suppliers, the number of the sales offices of the Distribution Business in the PRC has been reduced as a result of reduced demand from the Group's customers and from the Group's cost control consideration, thus affecting the Group's sales and after-sales service capabilities. The downsized salesforce has inevitably led to a weaker connection with current and potential customers for the discussion of product specifications and provision of after-sales service. This ultimately led to the decrease in revenue of the Distribution Business.

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. Owing to the outbreak of COVID-19 in 2020 and government restriction orders and social distancing guidelines in the PRC, it became much more difficult for the Group to conduct face-to-face services to the Group's customers, which is considered a key competence of the Group's Distribution Business due to its technical nature. Sales personnel had to reduce their sales activities while the clients also delayed or suspended the purchase of relevant equipment in view of the epidemic prevention work. To preserve working capital to survive the storm, we streamlined our sales team to reduce staff costs and closed a number of sales office of the Distribution Business in the PRC. This also contributed to the decrease in revenue of the Distribution Business.

There were a number of changes to the directors and management in recent years and the Company's new management team needed time to reconsider and review the business operation and direction of the Group and affect the progress of each business operation. Due to the adverse effect of the change of directors and management and the uncertainty of the business progress, the financial performance of the Company had declined in recent years.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) FINANCIAL REVIEW (CONTINUED)

Revenue

Revenue in HY2021 decreased by 49.7% to HK\$19.3 million from HK\$38.4 million in HY2020, mainly attributable to the drop in orders in the distribution business, which is a result of the impact of the COVID-19 and the decrease in the number of sales personnel. The supply chain business, which was commenced in 2020, reported revenue of HK\$17.4 million in HY2021.

Cost of sales

Cost of sales in HY2021 decreased by 51.3% to HK\$16.3 million from HK\$33.4 million in HY2020. The decrease was due to the decline of revenue as well as the decrease in materials costs in the distribution business.

Gross profit and gross profit margin

The gross profit in HY2021 decreased by 39.0% to HK\$3.1 million from HK\$5.0 million in HY2020. The gross profit margin in HY2021 was 15.8% compared to 13.1% in HY2020. The gross profit margin increased due to the increased revenue contribution from the supply chain business which enjoys a higher gross profit margin in HY2021.

Other income

Other income in HY2021 decreased by 44.1% to HK\$0.2 million from HK\$0.4 million in HY2020. The decrease was mainly due to the absence in gain on modification of a tenancy agreement in HY2021.

Selling and distribution expenses

Selling and distribution expenses in HY2021 decreased by 58.0% to HK\$0.9 million from HK\$2.2 million in HY2020, mainly due to lower staff costs as a result of the reduction in sales personnel in the distribution business and cost savings in tendering expenses as a result of decreased sales activities.

Administrative expenses

Administrative expenses in HY2021 decreased by 37.6% to HK\$5.8 million from HK\$9.3 million in HY2020, mainly due to the further decrease in staff costs and business trip expenses, etc. which is attributable to cost controls as well as the decrease in foreign exchange differences and depreciation of right-of-use assets.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) FINANCIAL REVIEW (CONTINUED)

Other expenses, net

Other expenses, net in HY2021 was HK\$25.4 million, mainly due to impairment loss arising from the provision for impairment on long-aged inventories.

Finance costs

Finance costs in HY2021 decreased by 32.9% to HK\$0.6 million from HK\$0.9 million in HY2020, mainly due to the decrease in interest expenses of loan from a shareholder.

Loss for the period

In view of the above, the Group's loss for HY2021 increased by 317.5% to HK\$29.5 million from HK\$7.1 million in HY2020.

Unaudited Condensed Consolidated Statement of Financial Position

Inventories

Inventories decreased by HK\$18.4 million from HK\$21.4 million as at 31 December 2020 to HK\$2.9 million as at 30 June 2021, mainly due to the lower overall level of inventories held to meet the lower demand and the provision for impairment on long-aged inventories.

Trade receivables

Trade receivables decreased by HK\$17.1 million from HK\$36.5 million as at 31 December 2020 to HK\$19.4 million as at 30 June 2021, mainly due to the decrease in trade receivables of the distribution business which are less than 90 days as a result of decrease in revenue and the decrease in trade receivables of the distribution business which is attributable to the acceleration of the collection of trade receivables.

Trade payables

Trade payables decreased by HK\$4.6 million from HK\$6.1 million as at 31 December 2020 to HK\$1.5 million as at 30 June 2021, mainly due to the decrease in trade payables of the supply chain business which are less than 60 days. This was due to a decrease in trade payables as a result of the reduction in trade payables turnover days.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) FINANCIAL REVIEW (CONTINUED)

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2021, the Group's net current assets amounted to HK\$184.4 million (31 December 2020: HK\$210.4 million), of which the bank balances and cash were HK\$87.4 million (31 December 2020: HK\$115.7 million). The Group's current ratio was 6.6 (31 December 2020: 6.2).

Loan from a fellow subsidiary as at 30 June 2021 was HK\$24.0 million (31 December 2020: HK\$23.8 million). The Group's loan from a fellow subsidiary was denominated in Renminbi. The Group's gearing ratio stood at 12.8% as at 30 June 2021 (31 December 2020: 11.0%), which is calculated based on the Group's total interest-bearing debts over the total equity. The Group adopts centralised financing and treasury policies in order to ensure that group financing is managed efficiently. The Group also regularly monitors its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short term and long term.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for those disclosed in this interim report, there were no significant investments held by the Group as at 30 June 2021, nor were there other material acquisitions and disposals of subsidiaries by the Group during HY2021. Apart from those disclosed in this interim report, there was no other plan authorised by the Board for other material investments or additions of capital assets at the date of this interim report.

PLEDGE ON ASSETS

The Group did not have any charges on its assets as at 30 June 2021.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Group did not have any material contingent liabilities or capital commitment as at 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) FINANCIAL REVIEW (CONTINUED)

EXPOSURE TO FLUCTUATIONS ON EXCHANGE RATES

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

INTERIM DIVIDEND

The Board did not declare an interim dividend for HY2021 (HY2020: Nil).

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE RULES ("LISTING RULES") GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED ("SEHK")

There is no other change in the Directors' biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2020 annual report of the Company up to the date of this interim report.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2021, there were 19 (31 December 2020: 27) employees in the Group. Staff remuneration packages are determined after considering the market conditions and the performance of the individuals concerned, and are subject to review from time to time. In HY2021, the total salary and related cost paid to our employees were approximately HK\$2.9 million. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) PROSPECTS

The Company will continue to focus on both the Distribution Business and Supply Chain Business, with a view to increasing its business scale and broadening the customer base, which in turn will increase revenue contribution from such businesses and generate returns for its shareholders. In this connection, the Company 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 China regions where the YEI Group has strong presence. Set out below is a summary of the key business plans:

- Given the continuous easing of COVID-19 situation in the PRC, the Group plans to pick up its sales activities in the Southwest China regions, including Yunnan Province and recruit additional sales personnel and technical support team for the sales and tender activities as well as after-sales support. The above action plans aim to consolidate the relationships with the existing and potential customers, and capitalise market demand to expand the business activities, for example, by leveraging the YEI Group's customer base in the different sectors, including energy, salt chemical manufacturing and healthcare industries and other governmental organisations that form a part of the customer base under current Distribution Business. Although sales and after-sales activities have been inevitably affected by COVID-19, especially due to the very technical nature of the products of the Distribution Business where on-site discussion and training are often preferred, various non-face-to-face approaches (including video conferencing or remote/online training services) will also be implemented for the recovery of the business operations as negatively affected by COVID-19;
- Extension of a wider range of product and service offerings that meet the demands from the existing and potential customers in different industries, and such products may include updated version of spectrophotometer. In particular, the Group will approach potential customers in the business sectors that the YEI Group is operating in to provide additional revenue stream for the Group, such as the sourcing of machinery and instruments in the petrochemical gas chromatography solution that are used in production activities of customers in the energy, salt chemical manufacturing and healthcare industries; and
- Discussion with third party suppliers in relation to the provision of distribution and after-sales services in the provinces and cities in the PRC which the Group do not currently has business presence, including the regions in the Southwest China that have not yet been explored by the Group in the past. New sales offices will be established to such regions to capitalise demand of the products of the Distribution Business by new customers.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) PROSPECTS (CONTINUED)

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 Company also strives to capture potential opportunities for the supply chain business through its management team's extensive experience (particularly relating to international trade and energy projects) and business network. Set out below is a summary of the key business plans:

- In June 2021, the Group entered into a one-year framework supply agreement with an independent Vietnam customer (which is principally engaged in the production and processing of stainless steel pipes), pursuant to which the Group will supply construction related materials, including stainless steel pipes, to its companies and customers in Vietnam. The products manufactured by its companies are sold to over 60 countries worldwide, such as the United States, Canada, India, Mexico, Sri Lanka, Brazil, the Philippines, Germany and the Netherlands. The Company is able to secure a stable supply a wide range of high quality stainless steel pipes in the PRC, with its seasoned management team's business network. On the basis of the above, the Group expects to maintain a long-term cooperative relationship with the customer through the renewal of the framework supply agreement to fully guarantee the sustainability of the business;
- The Group has been participating in various tender activities from time to time, in order to further extend the Supply Chain Business in different industrial sectors and regions. For example, in September 2021, the Group has successfully won the open tender for the supply contract of 50,000 tonnes of steam coal for Company A. Company A is a subsidiary of Company B, one of the five largest power generation groups in PRC, which has a good cooperative relationship with the YEI Group in the energy field. Because the Ministry of Commerce of PRC implements a quota management system for imported coal, the energy central enterprises of Company B has huge demand for coal imports every year. Given the solid foundation of cooperation between the YEI Group and Company B in the past and the Group and its management team's sufficiently excellent qualifications, capital and resources in the international supply chain business, the Group passed the qualification review and subsequently won the abovementioned open tender. On the basis of the above, the Group expects to maintain a long-term cooperative relationship with Company B in the above-mentioned businesses to fully guarantee the sustainability of the business.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) PROSPECTS (CONTINUED)

Supply Chain Business (Continued)

- The Group's Supply Chain Business is currently handled by a seasoned management team of 6 persons of the Group, led by Mr. Ma, 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, fertilizers, pesticides, medical and health products. The other management team has an average 4 years of experience in the international supply chain industry. Leveraging on the YEI Group's business network in overseas markets, the Group plans to set up teams for further development of international supply chain business, not limit to construction materials, medical devices and energy. Under the management organization of Mr. Ma, the Group has formed the seasoned management team with efficient customs declaration advantages and broad trade category advantages, we can still carry out supply chain business despite that the international trade is severely affected by the COVID-19, and win new tenders and the accelerate promotion of potential steel and other trading businesses. The Group plans to will continue expanding its business team in response to the increasing level of business activities and market demand in the next 12 months.

The YEI Group is a provincial state-owned enterprise with important influence in the fields of green energy, modern logistics, digital economy and other industries in Yunnan Province and Southwest China. The YEI Group has close cooperative relations with a number of local state-owned enterprises in the region and central enterprises in the industry. Benefited from the strong state-owned enterprise background, industry background, regional influence and financial strength of the YEI Group, the Group has certain competitive advantages in the operation of international supply chain businesses, such as its strong ability to source stable supply of construction materials, stainless steel and steam coal. The Group will strive to locate and maintain customers with overseas energy import and export needs through the YEI Group and our seasoned management team, such as Company A as discussed above.

The YEI Group actively integrates into the "One Belt One Road" construction of serving the country, builds a "radiation center facing South Asia and Southeast Asia" in southwestern China, and makes full use of its geographical advantages. There are more than 40 overseas organizations, including overseas subsidiaries and 12 commercial representative offices undertaking and managing on behalf of Yunnan Province, in Hong Kong, the United States, France, Singapore, Vietnam, Laos, and Myanmar. The Group will make full use of the above-mentioned overseas network advantages of the YEI Group to create a global supply chain network.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) PROSPECTS (CONTINUED)

Supply Chain Business (Continued)

With the help of the YEI Group's commercial information and local contacts in various regions, we have the access to the commodity price and quality information to match the qualified suppliers with the potential customers. Taking the Vietnam stainless steel project (which is currently carried out by the Group) as an example, with the help of the commercial information gathered by the YEI Group's commercial representative office in Vietnam, the Group's seasoned management team was able to obtain the trade demand of domestic stainless steel products in Vietnam and finally realize the business development. In addition, in respect of the steam coal project, the Group contacted thermal coal with competitive prices through the commercial representative office of the YEI Group in the United States, and finally won the bid.

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.

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



OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required (a) to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listing Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of HY2021 nor at any time during HY2021 was the Company nor any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except for the Share Option Schemes and the Share Award Scheme.

SHARE OPTION SCHEMES AND SHARE AWARD SCHEME

Details of the Share Option Schemes and the Share Award Scheme are set out in notes 18 and 19 to the unaudited condensed financial statements respectively.

No share option had been granted, exercised, expired, cancelled or lapsed and there is no outstanding share option under the 2004 Share Option Scheme and the 2011 Share Option Scheme during HY2021.

During HY2021, no share awards had been granted under the Share Award Scheme.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

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

As at 30 June 2021, so far as known to the Directors of the Company, the following persons (other than the Directors whose interests are disclosed in the section headed "Directors' Interests in Shares and Underlying Shares and Debentures" above) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in Shares

Name	Capacity and nature of interests	Direct Interest		Deemed Interest	
		Number of Shares held	Approximate percentage of the issued share capital of the Company	Number of Shares held	Approximate percentage of the issued share capital of the Company
Baodi International Investment Company Limited (Note 1)	Beneficial owner	201,196,995	73.05%	–	–
Yunnan Energy Investment (HK) Co. Limited (Note 1)	Interest of controlled corporation	–	–	201,196,995	73.05%
Yunnan Provincial Energy Investment Group Co., Limited (Note 1)	Interest of controlled corporation	–	–	201,196,995	73.05%

Note:

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



OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

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

Save as disclosed above, as at 30 June 2021, the Directors were not aware of any other persons (other than the Directors) who had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During HY2021, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities on the SEHK or the Singapore Exchange Securities Trading Limited ("SGX-ST").

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed the unaudited interim results of the Group for HY2021, including the review of the accounting principles and practices adopted by the Group, and has also discussed auditing, risk management and internal control and financial reporting matters. The Audit Committee has no disagreement with the accounting principles, treatments and practices adopted by the Group.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company recognises the importance of good corporate governance and accountability to shareholders. The Board believes that the Company and all its stakeholders can benefit from such practice and management culture. Therefore, the Company continuously reviews its corporate governance practice to comply, where applicable, with the principles and guidelines of the Corporate Governance Code (the "Hong Kong Code") contained in Appendix 14 to the Listing Rules.

In the opinion of the Board, the Company has complied with the applicable code provisions of the Hong Kong Code throughout HY2021.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

Having made specific enquiry with all Directors, the Company confirmed that all members of the Board complied with the Model Code during HY2021.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of noncompliance with the Model Code by such employees was noted by the Company during HY2021.

DISCLOSURE ON THE WEBSITES OF THE EXCHANGES AND THE COMPANY

This report shall be published on the respective websites of the SEHK, SGX-ST and the Company.

By Order of the Board
Yunnan Energy International Co. Limited
YAN Jiong
Chairman

Hong Kong, 27 August 2021

FINANCIAL STATEMENTS

RESULTS

The board (the “Board”) of directors (the “Director(s)”) of Yunnan Energy International Co. Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2021 (“HY2021”) together with the comparative figures for the six months ended 30 June 2020 (“HY2020”) as follows:

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

		Six months ended 30 June	
	Notes	2021	2020
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	4	19,314	38,372
Cost of sales		(16,254)	(33,357)
Gross profit		3,060	5,015
Other income		217	388
Selling and distribution expenses		(931)	(2,217)
Administrative expenses		(5,819)	(9,324)
Other expenses, net		(25,432)	–
Finance costs	5	(627)	(935)
LOSS BEFORE TAX	6	(29,532)	(7,073)
Income tax	7	–	–
LOSS FOR THE PERIOD		(29,532)	(7,073)

FINANCIAL STATEMENTS

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

	Note	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
		HK\$'000	HK\$'000
OTHER COMPREHENSIVE INCOME/(LOSS)			
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods</i>			
<i>– Exchange differences:</i>			
On translation of foreign operations		318	(4,674)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX		318	(4,674)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(29,214)	(11,747)
Loss for the period attributable to:			
Shareholders of the Company		(29,532)	(7,073)
Total comprehensive loss for the period attributable to:			
Shareholders of the Company		(29,214)	(11,747)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY:			
Basic and diluted	9		
For loss for the period		(HK10.72 cents)	(HK2.57 cents)

FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2021 (Unaudited) <i>HK\$'000</i>	31 December 2020 (Audited) <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,497	1,890
Right-of-use assets	11	1,109	1,307
Other intangible assets		1,158	1,544
Equity investment at fair value through other comprehensive income		–	2,388
Total non-current assets		3,764	7,129
CURRENT ASSETS			
Inventories		2,926	21,362
Trade receivables	12	19,364	36,460
Prepayments, deposits and other receivables	13	105,722	77,265
Income tax recoverable		1,933	110
Cash and bank balances		87,425	115,736
Total current assets		217,370	250,933
CURRENT LIABILITIES			
Trade payables	14	1,504	6,096
Other payables and accruals	15	7,150	10,299
Loan from a fellow subsidiary	16	24,010	23,799
Lease liabilities	11	307	370
Total current liabilities		32,971	40,564

FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	30 June 2021 (Unaudited) <i>HK\$'000</i>	31 December 2020 (Audited) <i>HK\$'000</i>
NET CURRENT ASSETS		184,399	210,369
TOTAL ASSETS LESS CURRENT LIABILITIES		188,163	217,498
NON-CURRENT LIABILITIES			
Lease liabilities	11	886	1,007
Total non-current liabilities		886	1,007
Net assets		187,277	216,491
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	17	107,420	107,420
Reserves		79,857	109,071
Total equity		187,277	216,491

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Issued capital (Unaudited)	Share premium (Unaudited)	Contributed surplus (Unaudited)	Capital and other reserves (Unaudited)	Investment revaluation reserve (Unaudited)	Exchange fluctuation reserve (Unaudited)	Retained profits/ losses (Unaudited)	Total equity (Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	107,420	143,392	3,071	112	(816)	1,236	(37,924)	216,491
Loss for the period	-	-	-	-	-	-	(29,532)	(29,532)
Other comprehensive loss for the period:								
Exchange differences:								
On translation of foreign operations	-	-	-	-	-	318	-	318
Total comprehensive loss for the period	-	-	-	-	-	318	(29,532)	(29,214)
At 30 June 2021	107,420	143,392	3,071	112	(816)	1,554	(67,456)	187,277

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the Company						Total equity (Unaudited) HK\$'000
	Issued capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Capital and other reserves (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	
At 1 January 2020	107,420	143,392	3,071	112	2,423	24,275	280,693
Loss for the period	-	-	-	-	-	(7,073)	(7,073)
Other comprehensive loss for the period:							
Exchange differences:							
On translation of foreign operations	-	-	-	-	(4,674)	-	(4,674)
Total comprehensive loss for the period	-	-	-	-	(4,674)	(7,073)	(11,747)
At 30 June 2020	107,420	143,392	3,071	112	(2,251)	17,202	268,946

FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June 2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>
Net cash flows used in operating activities	(29,804)	(23,487)
Cash flows from Investing activities		
Interest received	217	60
Purchases of items of property, plant and equipment	(7)	(1,580)
Proceeds from sale of property, plant and equipment	2,388	–
Net cash flows from/(used in) investing activities	2,598	(1,520)
Cash flows from financing activities		
New bank loans	–	8,037
Repayments of bank loans	–	(10,610)
Principal portion of lease payments	(227)	(755)
Repayment of loan from a shareholder	–	(158,730)
Interest paid	(599)	(190)
Net cash used in financing activities	(826)	(162,248)
Net decrease in cash and cash equivalents	(28,032)	(187,255)
Cash and cash equivalents at beginning of the period	115,736	204,877
Effect of foreign exchange rate changes, net	(279)	(1,155)
Cash and cash equivalents at end of the period	87,425	16,467

FINANCIAL STATEMENTS

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Yunnan Energy International Co. Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability. The Company’s shares have a primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (“SEHK”) and a secondary listing on the Main Board of Singapore Exchange Securities Trading Limited (“SGX-ST”).

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

- Distribution of branded analytical and laboratory instruments and life science equipment and the provision of related repair and maintenance services (the “Distribution Business”)
- Trading and supply chain business on construction materials and medical devices (the “Supply Chain Business”)

The immediate holding company of the Company is Baodi International Investment Company Ltd. (“Baodi”), which is incorporated in the British Virgin Islands with limited liability, and in the opinion of the directors, the ultimate holding company of the Company is Yunnan Provincial Energy Investment Group Co., Ltd, which is a state-owned enterprise established in the People’s Republic of China (the “PRC”) and is wholly owned by The State-owned Assets Supervision and Administration Commission of the Yunnan Provincial People’s Government of the PRC.

FINANCIAL STATEMENTS

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

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

Other than changes in accounting policies resulting from application of new International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s unaudited condensed consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and impact of the revised IFRSs are described below:

- a. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- b. Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

- (a) the distribution business segment which is engaged in the provision of distribution and after-sales services for different analytical instruments, life science and general laboratory instruments; and
- (b) the supply chain business segment which is engaged in the trading of the construction materials and medical services.

The chief operating decision maker of the Group (“CODM”, identified as the executive directors of the Company and certain senior management) monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s profit/loss before tax except that interest income, non-lease-related finance costs, as well as head office and corporate expenses are excluded from such measurement.

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

FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

	Distribution Business		Supply Chain Business		Total	
	30 June		30 June		30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Segment revenue	1,907	38,372	17,407	-	19,314	38,372
Segment results	(28,495)	(2,078)	2,005	-	(26,490)	(2,078)
Interest income					217	60
Interest expenses					(594)	(842)
Depreciation and amortisation					(978)	(1,337)
Corporate administration costs					(1,687)	(2,876)
Loss before tax					(29,532)	(7,073)

Segment assets and liabilities

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

Geographical information

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

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
PRC (including Hong Kong and Macau)	1,907	38,372
Asia (other than the PRC)	17,407	-
Total	19,314	38,372

No geographical information about the Group's non-current assets is presented as more than 90% of the Group's non-current assets as at the end of each of these periods were located in the PRC (including Hong Kong and Macau).

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3. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about major customers

During the six months ended 30 June 2021, one single customer from the supply chain business segment contributed 10% or more of the Group's revenue and the revenue derived from the sales to this customer amounted to HK\$17,407,000.

During the six months ended 30 June 2020, two customers from the distribution business segment contributed 10% or more of the Group's revenue and the revenue derived from the sales to these two customers amounted to HK\$16,305,000.

4. REVENUE

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

	Six months ended 30 June 2021 (Unaudited)	2020 (Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers		
Sale of goods	19,314	36,384
Repair and maintenance service income	–	1,988
	<u>19,314</u>	<u>38,372</u>

Notes:

a. Disaggregated revenue information

Sales of goods and repair and maintenance service income for the six months ended 30 June 2021 and 2020 were recognised at the point in time and over time, respectively.

b. The following table shows the amounts of revenue recognised in the current reporting period that were included in contract liabilities at the beginning of the reporting period:

	Six months ended 30 June 2021 (Unaudited)	2020 (Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of goods income	1,907	14,013

FINANCIAL STATEMENTS

4. REVENUE (CONTINUED)

- c. No revenue recognised during the six months ended 30 June 2021 and 2020 related to performance obligations satisfied or partially satisfied in previous years.
- Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation for the sale of goods is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

Provision of repair and maintenance services

The performance obligation is satisfied over time, using the input method on the basis of labour time spent on the services, and payment is generally due upon completion of the services.

5. FINANCE COSTS

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and bank overdrafts	–	190
Interest on loans from a shareholder	–	652
Interest on loan from a fellow subsidiary	594	–
Interest on lease liabilities	33	93
	627	935

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6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	16,254	33,357
Depreciation of items of property, plant and equipment	383	232
Depreciation of right-of-use assets	209	717
Amortisation of other intangible assets*	386	388
Lease payments not included in the measurement of lease liabilities	103	–
Employee benefit expense (excluding directors' remuneration):		
Salaries, allowances and benefits in kind	2,382	3,083
Defined contribution scheme contributions	505	563
	2,887	3,646
Foreign exchange differences, net	(5)	1,453
Impairment losses on inventories**	17,993	–

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

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

7. INCOME TAX

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current – PRC	–	–

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7. INCOME TAX (CONTINUED)

Note:

- (a) 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 Singapore Corporate Income Tax was made as the Group does not have any assessment profits arising from Hong Kong and Singapore for both periods.

Under the Law of the PRC on Corporate Income Tax (the “PRC Corporate Income Tax Law”) and the Implementation Regulation of the PRC Corporate Income Tax Law, the tax rate applicable to the PRC subsidiaries is 25% (six months ended 30 June 2020: 25%). No provision for income tax in the PRC was made by the PRC subsidiaries.

The subsidiary established in Macau is currently enjoying tax exemption provided by Decree-Law No. 58/99/M (the “Law”). Under the Law, the Macau subsidiary is duly authorised to operate as an offshore institution and is exempted from Macau income tax when the income is generated through the engagement in offshore business that targets only overseas residents as customers and uses only a non-Macau currency in its activities. Accordingly, income tax in Macau was exempted by the Law for the six months ended 30 June 2020. During the reporting period, the Law was revoked with effect from 1 January 2021. No provision for Macau Complementary Tax was made as the Group does not have any assessment profits arising from Macau for the six months ended 30 June 2021.

8. DIVIDENDS

The Board does not recommend or declare any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the period attributable to shareholders of the Company of HK\$29,532,000 (six months ended 30 June 2020: HK\$7,073,000) and the weighted average number of ordinary shares of 275,437,000 (six months ended 30 June 2020: 275,437,000) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for each of the period ended 30 June 2021 and 2020 for a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

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10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$7,000 (six months ended 30 June 2020: HK\$1,580,000) on acquisition of property, plant and equipment. During the period, the Group disposed items of property, plant and equipment with carrying amount of approximately HK\$43,000 (six months ended 30 June 2020: HK\$116,000).

11. LEASES WHERE THE GROUP AS A LESSEE

The Group has lease arrangements as a lessee for office premises used in its operations. The leases have lease terms between 2 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the period are as follows:

	Office premises	
	30 June 2021 (Unaudited)	31 December 2020 (Audited)
	HK\$'000	HK\$'000
At 1 January	1,307	2,973
Additions	–	1,299
Depreciation provided during the period (note 6)	(209)	(618)
Lease modification arising from a change in the non-cancellable period of a lease	–	(1,965)
Termination of a lease	–	(465)
Exchange realignment	11	83
At end of the period	1,109	1,307

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11. LEASES WHERE THE GROUP AS A LESSEE (CONTINUED)

(b) Lease liabilities

The carrying amount of the Group's lease liabilities and the movements during the period are as follows:

	Office premises	
	30 June 2021 (Unaudited)	31 December 2020 (Audited)
	HK\$'000	HK\$'000
At 1 January	1,377	3,055
New leases	–	1,299
Accretion of interest recognized during the period (note 5)	33	92
Payments	(227)	(633)
Lease modification arising from a change in the non-cancellable period of a lease	–	(2,049)
Termination of a lease	–	(475)
Exchange realignment	10	88
At end of the period	1,193	1,377
Portion classified as current liabilities	(307)	(370)
Non-current portion	886	1,007

12. TRADE RECEIVABLES

	Note	30 June 2021 (Unaudited)	31 December 2020 (Audited)
		HK\$'000	HK\$'000
Trade receivables	(a)	24,595	57,937
Impairment		(5,231)	(21,477)
		19,364	36,460

FINANCIAL STATEMENTS

12. TRADE RECEIVABLES (CONTINUED)

Notes:

- (a) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.
- (b) An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 90 days	15,750	29,045
91 to 120 days	19	109
121 to 365 days	1,150	1,193
1 to 2 years	8	5,408
Over 2 years	2,437	705
	19,364	36,460

13. PREPAYMENTS, DEPOSIT AND OTHER RECEIVABLES

		30 June 2021 (Unaudited)	31 December 2020 (Audited)
	Notes	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments	(a)	615	88
Deposits and other receivables	(b)	4,279	5,449
Notes receivables		–	7,856
Receivable from a supplier	(c)	103,145	66,164
Due from an intermediate holding company	(d)	–	5
		108,039	79,562
Impairment allowance		(2,317)	(2,297)
		105,722	77,265



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13. PREPAYMENTS, DEPOSIT AND OTHER RECEIVABLES (CONTINUED)

Notes:

- (a) Prepayments mainly comprise prepaid rental and other expenses.
- (b) Deposits and other receivables mainly comprise tendering deposits, performance pledged deposits, rental deposits and value-added tax recoverable. These amounts were not considered impaired as there was no recent history of default and the Group did not experience any material incurred credit losses in the past with respect to the counterparties.
- (c) The balance is unsecured, interest-free and is repayable on demand. The amount of HK\$50,000,000 has been received after the reporting period.
- (d) The amount due from an intermediate holding company is unsecured, non-interest-bearing and repayable on demand.

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14. TRADE PAYABLES

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

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
	HK\$'000	HK\$'000
Less than 60 days	1,318	5,782
Over 1 year	186	314
	1,504	6,096

Note:

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

15. OTHER PAYABLES AND ACCRUALS

	Notes	30 June 2021 (Unaudited)	31 December 2020 (Audited)
		HK\$'000	HK\$'000
Accruals		1,624	2,956
Contract liabilities – customers' deposits	(a)	5,334	6,561
Other payables	(b)	192	782
		7,150	10,299

Notes:

- (a) Contract liabilities include short-term advances received to deliver analytical and laboratory instruments and life science equipment and render repair and maintenance services.
- (b) Other payables are non-interest-bearing and have an average term of three months.

FINANCIAL STATEMENTS

16. LOAN FROM A FELLOW SUBSIDIARY

The loan balance as at 30 June 2021 was a loan advanced to the Group from a fellow subsidiary, YEIG International Consulting (Beijing) Co., LTD., pursuant to a loan agreement dated 25 August 2020 entered into between the two parties with a total loan facility of RMB100,000,000 (equivalent to HK\$118,816,000). This loan from a fellow subsidiary is unsecured, bears interest at the rate of 5% per annum and has a maturity date of 25 August 2021, which could be repaid before the maturity date as mutually agreed between the two parties. During the period ended 30 June 2021, RMB499,000 (equivalent to HK\$599,000) was repaid (30 June 2020: Nil). As at 30 June 2021, the outstanding balance under this loan facility amounted to RMB20,027,000 (equivalent to HK\$24,010,000) (31 December 2020: RMB20,030,000 (equivalent to HK\$23,799,000)).

The loan arrangement with the fellow subsidiary constitutes an exempted connected transaction under Chapter 14A of the Listing Rules.

17. SHARE CAPITAL

Shares

	30 June 2021 (Unaudited) <i>HK\$'000</i>	31 December 2020 (Audited) <i>HK\$'000</i>
Authorised:		
800,000,000 ordinary share of US\$0.05 each	312,000	312,000
Issued and fully:		
275,437,000 ordinary share of US\$0.05 each	107,420	107,420

Shares options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 18 to the unaudited condensed financial statements.

FINANCIAL STATEMENTS

18. SHARE OPTION SCHEMES

On 9 June 2011, the Company adopted the 2011 Share Option Scheme (the “2011 Share Option Scheme”). The purpose of the 2011 Share Option Scheme was to enable the Company to grant options to eligible participants as incentives or rewards for their contribution to the Group, and to encourage eligible participants to perform their best in achieving goals of the Group.

Directors (including non-executive directors and independent non-executive directors) and employees of the Group are eligible to participate in the 2011 Share Option Scheme.

The 2011 Share Option Scheme shall be in force up to a maximum period of 10 years from the date on which the 2011 Share Option Scheme was adopted and may continue beyond the stipulated period with the approval of shareholders by way of an ordinary resolution in a general meeting and of such relevant authorities which may then be required.

The options that are granted under the 2011 Share Option Scheme may have exercise prices that are the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheet issued by SEHK or SGX-ST (whichever is higher) on the offer date of such options, which must be a business day; and (ii) the average of the closing prices of the shares of the Company as stated in the daily quotations sheets issued by SEHK or SGX-ST for the five consecutive business days immediately preceding the offer date of such options (whichever is higher).

Where the options are granted to the controlling shareholders and their associates, (i) the aggregate number of shares of the Company available to the controlling shareholders and their associates shall not exceed 25% of the maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2011 Share Option Scheme; (ii) the aggregate number of shares of the Company available to each controlling shareholder or his associate shall not exceed 10% of the maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2011 Share Option Scheme; (iii) separate approval of independent shareholders shall be obtained for each participant in respect of this participation and the number of shares of the Company comprised in the options to be granted to him and the terms.

FINANCIAL STATEMENTS

18. SHARE OPTION SCHEMES (CONTINUED)

2011 Share Option Scheme

The number of shares of the Company comprised in any option to be offered to a participant in the 2011 Share Option Scheme shall be determined at the absolute discretion of the remuneration committee of the Company. The total number of shares of the Company issued and to be issued upon exercise of the options granted to such participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue under the 2011 Share Option Scheme. Upon acceptance of the option, the grantee shall pay Singapore dollar \$1.00 to the Company by way of consideration for the grant of the option.

During the year ended 31 December 2020 and the period from 1 January 2021 to 30 June 2021, no share option had been granted, exercised, expired, cancelled or lapsed and there is no outstanding share option under the 2011 Share Option Scheme.

19. SHARE AWARD SCHEMES

On 11 January 2017, the Company adopted a share award scheme. Pursuant to the share award scheme, existing shares of the Company will be purchased by a trustee of the Company from the market out of cash contributed by the Group and be held in trust for the selected participants until such shares are vested with the selected participants in accordance with the provisions of the scheme. When the selected participant has satisfied all vesting conditions specified by the board of directors of the Company at the time of making the award and become entitled to the shares forming the subject of the award, the trustee shall transfer the relevant vested shares to that qualifying person.

The purposes of the share award scheme are to recognise the contributions by the Group's employees, executives, officers or directors and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

During the year ended 31 December 2020 and the period from 1 January 2021 to 30 June 2021, no shares of the Company were acquired by the trustee and no share awards were granted.

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20 CONTINGENT LIABILITIES

As at 30 June 2021 and 31 December 2020, the Group had no material contingent liabilities.

21. CAPITAL COMMITMENTS

As at 30 June 2021 and 31 December 2020, the Group did not have any significant capital commitment.

22. RELATED PARTIES DISCLOSURES

- (a) In addition to the transactions detailed elsewhere in the unaudited condensed consolidated financial statements, the Group had the following material transactions with related parties during the period:

		Six months ended 30 June	
	Notes	2021 (Unaudited)	2020 (Unaudited)
		HK\$'000	HK\$'000
Interest paid and payable on loans from the immediate holding company	(i)	–	652
Interest paid and payable on loan from a fellow subsidiary	(ii)	599	–

Notes:

- (i) The loan was advanced to the Group from the immediate holding company pursuant to a loan agreement dated 25 June 2019 entered into between the two parties with a total loan facility of HK\$936,000,000. This shareholder's loan was unsecured, bore interest at the rate of 7% per annum and had a maturity date of 26 June 2022, which could be extended from time to time as mutually agreed between the two parties on or before the maturity date. The loan was fully repaid on 30 December 2020. The loans from the immediate holding company are exempted connected transactions as defined under Chapter 14A of the Listing Rules.
- (ii) Details of the loan from a fellow subsidiary are set out in note 16 to the unaudited condensed financial statements. The loan from a fellow subsidiary is exempted connected transactions as defined under Chapter 14A of the Listing Rules.

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22. RELATED PARTIES DISCLOSURES (CONTINUED)

- (b) Outstanding balances with related parties:

The Group had a loan from a fellow subsidiary of approximately HK\$24,010,000 as at 30 June 2021 (31 December 2020: approximately HK\$23,799,000), and the amount is unsecured and bears interest at the rate of 5% per annum, as further detailed in note 16 to the unaudited condensed financial statements.

Details of the Group's amount due from an intermediate holding company included in prepayments, deposits and other receivables are disclosed in note 13 to the unaudited condensed financial statements.

- (c) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short term employee benefits	–	554
Post-employment benefits	–	9
Total compensation paid to key management personnel	–	563