

*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.*



**雲南實業控股有限公司\***  
**YUNNAN ENTERPRISES HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 0455)**

## **PROPOSED REDUCTION OF SHARE PREMIUM**

The Board of the Company intends to put forward a proposal to the Shareholders to reduce the balance of the share premium account and apply the entire credit arising from such reduction to eliminate the Company's accumulated losses.

The proposal will be conditional upon the approval by the Shareholders at the Annual General Meeting.

Further information in relation to the Share Premium Reduction and the notice convening the Annual General Meeting will be contained in a circular to be despatched to the Shareholders together with the annual report of the Company for the year ended 31 March 2009 as soon as practicable.

### **THE PROPOSAL**

As at the date of this announcement, the share premium account of Yunnan Enterprises Holdings Limited (the "Company", together with its subsidiaries, the "Group") amounted to HK\$473,077,599. The board of directors (the "Board") of the Company intends to put forward a proposal to the shareholders of the Company (the "Shareholders") to reduce the share premium account of the Company by an amount of HK\$300,000,000 (the "Share Premium Reduction"). The credit amount of HK\$300,000,000 arising from the reduction of the balance of the share premium account will be entirely used to eliminate the accumulated losses of the Company of HK\$254,343,336 as at 31 March 2009 and thereby creating a surplus of HK\$45,656,664 in the retained earnings account of the Company.

## **EFFECTS OF THE SHARE PREMIUM REDUCTION**

The implementation of the Share Premium Reduction will not, of itself, affect the underlying assets, business operations, management or financial position of the Group, and hence the interests of the Shareholders. After the Share Premium Reduction, the share premium account will contain a balance of HK\$173,077,599 and is distributable in the form of fully paid bonus shares.

## **REASONS FOR THE SHARE PREMIUM REDUCTION**

As at 31 March 2009, the Company recorded accumulated losses of HK\$254,343,336. The Share Premium Reduction will allow the Company to eliminate the accumulated losses and as a result, if the Company intends to make payment of dividends to the Shareholders, this will give the Company the flexibility to declare dividends to the Shareholders at an earlier opportunity than by generating profits to offset such losses. Hence, the Board believes that the Share Premium Reduction is beneficial to the Company and the Shareholders as a whole. At this stage, the Company does not have any present intention to make any payment of dividends to the Shareholders despite the Share Premium Reduction.

## **CONDITION OF THE SHARE PREMIUM REDUCTION**

Pursuant to article 55 of the Articles of Association, the Company may by special resolution reduce its share premium account in any manner prescribed by the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Cayman Companies Law”). The Company may apply the share premium account in such manner as permitted by Cayman Companies Law. As advised by Cayman Islands lawyer, a reduction of the balance of the share premium account does not require court approval under the Cayman Companies Law. However, the completion of the Share Premium Reduction will be conditional upon the approval by the Shareholders at the forthcoming annual general meeting to be held on 28 August 2009 (the “Annual General Meeting”) of the special resolution to effect the Share Premium Reduction.

## **GENERAL**

Further information in relation to the Share Premium Reduction and the notice convening the Annual General Meeting will be contained in a circular to be despatched to the Shareholders together with the annual report of the Company for the year ended 31 March 2009 as soon as practicable.

By Order of the Board  
**Yunnan Enterprises Holdings Limited**  
**FANG Wen Quan**  
*Managing Director*

Hong Kong, 22 July, 2009

*As at the date of this announcement, the Board comprises three executive Directors, being Mr. LI Suiming, Mr. FANG Wen Quan and Mr. LIU Huijiang and three independent non-executive Directors, being Mr. CHIU Sung Hong, Mr. LAM Yat Fai and Mr. CHIU Fan Wa.*

\* *For identification purpose only*