

*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)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009**

The board of directors (the “Board”) of Yunnan Enterprises Holdings Limited (the “Company”) announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2009, together with comparative figures for the corresponding period in 2008. The results have been reviewed by the Company’s audit committee.

### **CONDENSED CONSOLIDATED INCOME STATEMENT**

*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009*

	<i>Notes</i>	<b>Six months ended 30 September</b>	
		<b>2009</b>	<b>2008</b>
		<b>HK\$</b>	<b>HK\$</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	3	<b>37,825,316</b>	26,953,257
Cost of sales		<b>(10,344,659)</b>	(7,454,346)
Gross profit		<b>27,480,657</b>	19,498,911
Other income		<b>607,645</b>	1,511,732
Distribution and selling expenses		<b>(382,806)</b>	(753,180)
Administrative expenses		<b>(8,033,541)</b>	(13,226,919)
Other expenses		<b>(67,540)</b>	(96,262)
Gain (loss) arising from change in fair value of an investment property	8	<b>1,200,000</b>	(700,000)
Share of results of associates		<b>487,557</b>	750,936
Profit before tax	4	<b>21,291,972</b>	6,985,218
Income tax expense	5	<b>(3,579,879)</b>	(2,064,134)
Profit for the period		<b>17,712,093</b>	4,921,084
Profit attributable to:			
Equity holders of the Company		<b>8,536,643</b>	147,714
Minority interests		<b>9,175,450</b>	4,773,370
		<b>17,712,093</b>	4,921,084
Basic earnings per share	7	<b>0.91 HKcent</b>	0.02 HKcent

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009*

	Six months ended 30 September	
	<b>2009</b>	<b>2008</b>
	<b>HK\$</b>	<b>HK\$</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit for the period	<b>17,712,093</b>	4,921,084
Exchange difference arising on translation of foreign operations	<b>3,114,570</b>	5,961,773
Gain on fair value changes of available-for-sale investment	<b>46,000</b>	–
Transfer to profit and loss on disposal of available-for-sale investment	<b>(157,614)</b>	(108,420)
	<u><b>20,715,049</b></u>	<u>10,774,437</u>
Total comprehensive income for the period		
	<u><b>20,715,049</b></u>	<u>10,774,437</u>
Total comprehensive income attributable to:		
Equity holders of the Company	<b>11,419,751</b>	5,803,545
Minority interests	<b>9,295,298</b>	4,970,892
	<u><b>20,715,049</b></u>	<u>10,774,437</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AT 30 SEPTEMBER 2009*

		<b>30 September</b>	31 March
		<b>2009</b>	2009
	<i>Notes</i>	<b>HK\$</b>	<b>HK\$</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Investment property	8	<b>22,000,000</b>	20,800,000
Property, plant and equipment	9	<b>25,041,121</b>	23,235,598
Prepaid lease payments		<b>3,888,515</b>	3,886,581
Goodwill		<b>6,024,202</b>	6,021,017
Exploration and evaluation assets		<b>2,577,148</b>	1,820,930
Advance payment for property, plant and equipment		–	1,804,926
Interests in associates		<b>51,396,262</b>	51,453,148
Investment in an investee company		<b>32,465,141</b>	32,465,141
		<b>143,392,389</b>	141,487,341
<b>CURRENT ASSETS</b>			
Inventories		<b>4,252,251</b>	4,664,259
Properties held for development		<b>121,441,992</b>	120,572,522
Trade and other receivables	10	<b>2,224,280</b>	7,696,283
Prepaid lease payments		<b>89,197</b>	89,148
Available-for-sale investment		<b>32,384,950</b>	28,337,500
Bank deposits		<b>68,033,759</b>	107,420,409
Bank balances and cash		<b>73,895,761</b>	27,957,910
		<b>302,322,190</b>	296,738,031
<b>TOTAL ASSETS</b>		<b>445,714,579</b>	438,225,372

	<i>Notes</i>	<b>30 September 2009 HK\$ (Unaudited)</b>	31 March 2009 HK\$ (Audited)
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
Share capital		<b>93,505,908</b>	93,505,908
Reserves		<b>305,729,970</b>	294,310,219
		<b>399,235,878</b>	387,816,127
<b>MINORITY INTERESTS</b>		<b>34,093,628</b>	24,798,330
<b>TOTAL EQUITY</b>		<b>433,329,506</b>	412,614,457
<b>NON-CURRENT LIABILITY</b>			
Loans from ultimate holding company		<b>3,826,000</b>	3,826,000
Government grants – non-current portion		<b>2,016,252</b>	2,173,485
		<b>5,842,252</b>	5,999,485
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>11</i>	<b>3,882,096</b>	14,969,702
Government grants – current portion		<b>334,560</b>	334,383
Amount due to an associate		<b>892,362</b>	891,893
Tax payable		<b>1,433,803</b>	3,415,452
		<b>6,542,821</b>	19,611,430
<b>TOTAL LIABILITIES</b>		<b>12,385,073</b>	25,610,915
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>445,714,579</b>	438,225,372

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009*

### **1. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

### **2. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis except for an investment property and certain financial instruments, which are measured at fair value.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company for the year ended 31 March 2009 except for the adoption of certain new standards, amendments and interpretations issued by the HKICPA, which are effective for accounting periods beginning on or after 1 April 2009. The adoption of the new standards, amendments and interpretations had no material effect on the Group’s results of operation and financial position.

The Group has not early adopted those new and revised standard or interpretations that have been issued but are not yet effective. The Group is in the process of assessing the potential impact of those standards or interpretations on the Group’s results of operations and financial position.

The financial information relating to the financial year ended 31 March 2009 included in the condensed interim financial statements does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 July 2009.

### **3. SEGMENT INFORMATION**

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the board of directors of the Company) in order to allocate resources to the segment and to assess their performance. In contrast, the predecessor standard (HKAS 14 “Segment Reporting”) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity’s system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. The application of HKFRS 8 has not resulted in the redesignation of the Group’s reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

Segment profit represents the profit earned by each segment without allocation of general administration expenses, directors’ emoluments, share of (loss) profit of an associate, other income and finance costs. This is the measure reported to the Board for the purposes of resources allocation and performance assessment.

The total assets of the Group as at the interim report date do not differ significantly since the latest annual report date.

### Six months ended 30 September 2009 (unaudited)

	Pharmaceutical and biotechnology products <i>HK\$</i>	Property rental <i>HK\$</i>	Property development <i>HK\$</i>	Investment holding <i>HK\$</i>	Mineral and energy <i>HK\$</i>	Consolidated <i>HK\$</i>
REVENUE	<u>37,395,980</u>	<u>429,336</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>37,825,316</u>
SEGMENT RESULTS	<u>24,829,096</u>	<u>1,584,306</u>	<u>(54,324)</u>	<u>135,047</u>	<u>(816,384)</u>	25,677,741
Unallocated income						472,598
Unallocated corporate expenses						(5,345,924)
Share of results of associates						<u>487,557</u>
Profit before tax						21,291,972
Income tax expense						<u>(3,579,879)</u>
Profit for the period						<u>17,712,093</u>

### Six months ended 30 September 2008 (unaudited)

	Pharmaceutical and biotechnology products <i>HK\$</i>	Property rental <i>HK\$</i>	Property development <i>HK\$</i>	Investment holding <i>HK\$</i>	Mineral and energy <i>HK\$</i>	Consolidated <i>HK\$</i>
REVENUE	<u>24,527,989</u>	<u>429,336</u>	<u>–</u>	<u>1,995,932</u>	<u>–</u>	<u>26,953,257</u>
SEGMENT RESULTS	<u>13,229,899</u>	<u>(422,077)</u>	<u>(561,800)</u>	<u>1,994,927</u>	<u>(1,186,874)</u>	13,054,075
Unallocated income						1,511,732
Unallocated corporate expenses						(8,331,525)
Share of results of associates						<u>750,936</u>
Profit before tax						6,985,218
Income tax expense						<u>(2,064,134)</u>
Profit for the period						<u>4,921,084</u>

#### 4. PROFIT BEFORE TAX

Six months ended 30 September	
2009	2008
<i>HK\$</i>	<i>HK\$</i>
(Unaudited)	(Unaudited)

Profit before tax has been arrived at after charging (crediting):

Depreciation of property, plant and equipment	<b>1,517,973</b>	1,450,745
Amortisation of prepaid lease payments	<b>44,598</b>	44,979
Bank interest income	<b>(94,185)</b>	(1,172,363)
Profit on disposal of available-for-sale investment	<b>(289,746)</b>	(144,119)

## 5. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit arising in Hong Kong for both periods presented.

Taxation arising in other regions of the People's Republic of China is calculated at the rates prevailing in the relevant jurisdiction.

There is no material deferred taxation for the period or at the balance sheet date.

## 6. DIVIDENDS

The directors resolved not to pay an interim dividend for the six months ended 30 September 2009 (2008: Nil).

## 7. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	<b>Six months ended 30 September</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$</b>	<b>HK\$</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit for the period attributable to the equity holders of the Company	<u><b>8,536,643</b></u>	<u>147,714</u>
Number of ordinary shares for the purpose of basic earnings per share	<u><b>935,059,080</b></u>	<u>935,059,080</u>

No diluted earnings per share is presented for both periods as there were no potential dilutive shares.

## 8. INVESTMENT PROPERTY

The Group's investment property is rented out under an operating lease and is held under a medium-term lease in Hong Kong.

The investment property is carried at its open market value, on existing use basis, at the period end date, by reference to the valuation on the property at 30 September 2009 conducted by Vigers Appraisal and Consulting Limited, an independent professional valuer. The gain arising from change in fair value amounting to HK\$1,200,000 (six months ended 30 September 2008: loss of HK\$700,000), has been credited to the income statement for the period.

## 9. PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment for the period amounted to a total of HK\$1,935,566 (six months ended 30 September 2008: HK\$407,007).

## 10. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period of 60 days to its trade customers.

The following is an aged analysis of the Group's trade receivables at the balance sheet dates:

	<b>30 September 2009 HK\$ (Unaudited)</b>	31 March 2009 HK\$ (Audited)
Trade receivables		
Within 60 days	<b>419,354</b>	1,011,052
Over 60 days	–	11,618
	<b>419,354</b>	1,022,670
Dividends receivable from an investee company	–	3,795,641
Other receivables, deposits and prepayments	<b>1,804,926</b>	2,877,972
	<b>2,224,280</b>	7,696,283

## 11. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables at the balance sheet dates:

	<b>30 September 2009 HK\$ (Unaudited)</b>	31 March 2009 HK\$ (Audited)
Trade payables		
Within 60 days	<b>636,262</b>	2,202,368
61 – 90 days	<b>157,152</b>	26,008
Over 90 days	–	215,806
	<b>793,414</b>	2,444,182
Dividend payable to a minority shareholder	–	8,280,531
Other payables and accruals	<b>3,088,682</b>	4,244,989
	<b>3,882,096</b>	14,969,702

## MANAGEMENT DISCUSSION & ANALYSIS

### Financial Review

For the six months ended 30 September 2009, the Group recorded a total turnover of approximately HK\$37.825 million, representing an increase of 40% as compared to the corresponding period last year. The increase in turnover mainly reflected the significant increase in sales of the pharmaceutical business during the period under review. Based on a valuation carried out by a qualified professional valuer, the fair value of the Group's investment property as at 30 September 2009 was at HK\$22 million, resulting a gain of HK\$1.2 million from the change in fair value of investment property (loss of HK\$0.7 million for the corresponding period last year). Gain of associated companies attributed to the Group during the period under review amounted to approximately HK\$0.488 million, less than the amount of the same period last year (HK\$0.751 million for the corresponding period last year). Moreover, during the period under review, administrative and other expenses have been decreased with the proper implementation of effective cost control with the Group. Therefore, taking into account the income tax expense and minority interests, the Group recorded a profit attributable to shareholders of the Company of approximately HK\$8.537 million for the six months ended 30 September 2009 (profit of HK\$0.148 million for the corresponding period last year). Earning per share for the period under review was HK0.91 cent (HK0.02 cent for the corresponding period last year).

### Business review

#### *Pharmaceutical and Biotechnology Business*

The Group's pharmaceutical and biotechnology business is operated by Yunnan Meng Sheng Pharmaceutical Co., Limited ("Meng Sheng Pharmaceutical"), a subsidiary of which 55% equity interest owned by the Group; and an associated company, Shenzhen Xinpeng Biotechnology Engineering Co., Limited ("Xinpeng Biotechnology"), a company of which 48% equity interests is held by the Group.

During the period under review, Meng Sheng Pharmaceutical recorded a turnover of approximately HK\$37.396 million, representing an increase of 54% over the comparative amount last year. Its flagship product, "Cerebroprotein Hydrolysate for Injection", is well received by market and sales orders of which have sustained its growth. The increase in turnover, coupled with the effective cost control measures, has lowered its operating expense ratio. Overall speaking, its business performance is encouraging.

During the period under review, Xinpeng Biotechnology recorded a slight loss of HK\$0.048 million (profit of HK\$0.909 million for the corresponding period last year). This was due to intensifying market competition, Xinpeng Biotechnology's product pricing was under pressure, although it has strengthened its marketing effort of increasing the sales turnover.

#### *Mineral and energy*

As at 30 September 2009, the Group holds two exploration rights in Yunnan, one is copper and multi-metal exploration right in Dongchuan District and the other is lead and zinc exploration right in Huize County. During the period under review, the Group had completed the geological survey design of the two projects and conducted geological investigation within the tenements. In the Dongchuan, potentially economic phosphorous deposits have been discovered. In Huize, several geophysical anomalies have been delineated within the tenement. The geological investigation is currently making good progress.

### ***Packaging & Printing***

During the period under review, Yuxi Globe Colour Printing Carton Co. Ltd., of which 18.75% equity interests is held by the Group, has improved its operating results, and contributed a dividend payment to the Group for approximately HK\$3.143 million (HK\$2.254 million for the corresponding period last year).

On the other hand, Yunnan Xingning Colour Material Printing Co. Ltd., another associated company of the Group of which 25% equity interests is held by the Group, has recorded a profit of HK\$2.056 million (HK\$1.234 million for the corresponding period last year).

### ***Property Development***

The Group's property development business is mainly carried out by Zhuhai Tianheng Property Co. Ltd., a wholly-owned subsidiary in the PRC. It holds a block of land located at the Southwest of Gangwan Main Road, Yinkeng, Xiangzhou, Zhuhai (the "land"). The land has a total site area of approximately 25,000 square meters. Considering the development of the land has yet to be commenced, the Group will be pulling out from the property industry in Zhuhai should opportunities arise, in order to re-allocate resources to other more profitable business segments.

### **Outlook**

While continuing to expand its domestic market, Meng Sheng Pharmaceutical will explore and develop its international market, which will further increase its sales turnover. Also, Meng Sheng Pharmaceutical dedicates on research and developing other new products. Diversified product portfolio enables the entity to cope with the intense competition in the pharmaceutical market effectively. The Group therefore believes that Meng Sheng Pharmaceutical will contribute more profit to the Group. Moreover, the operating result of Xinpeng Biotechnology is expected to improve through the strengthening of the management team, a positive return is believed to be delivered in the near future. On the other hand, the Group will carry out mergers and acquisitions targeting high quality projects to emphasis and highlight the core business of the Group in developing pharmaceutical and biotechnology. In general, the Group will primarily dedicate its major resources to the development of pharmaceutical and biotechnology business to build up a bigger and stronger business segment. It is believed that scaled up pharmaceutical and biotechnology business will deliver stable and significant profit to the Group in the future.

In the business of mineral and energy, the Group continues to progress its exploration works on the two mining projects in Yunnan Province. Should the time is appropriate, the Group will join venture with the large and experienced mining companies to explore and develop these two projects in order to accelerate the profit contribution to the Group. Meanwhile, the Group is in the process of applying more exploration and mining rights. On the other hand, it will carry out mergers and acquisitions for the good potential projects to accelerate its investment in the industry. Mineral and energy business is the other business segment of the Group, which is expected to bring growth momentum and new earnings to the Group.

The Group will expand its packaging and printing business through equity swap, business restructuring and other measures should opportunities arise in order to increase its contributions to the Group's results.

## **Liquidity and financial resources**

The Group's liquidity continued to stay in a healthy position. As at 30 September 2009, the Group had cash and bank balances of approximately HK\$141.93 million. Approximately 18% and 48% of the total cash and bank balances were denominated in United States dollar and Renminbi respectively with the remaining in Hong Kong dollar. As in the past, the Group has no external borrowings during the period under review. With this strong financial position, the Group has sufficient financial resources to meet its operations needs.

## **Exchange rate exposure**

The Group's assets, liabilities and transactions are denominated in Hong Kong dollar, Renminbi or United States dollar. The Group considers that there is no material exchange rate risk currently and no hedging measures are necessary at this stage.

## **Charges on assets**

The Group did not have any charges on assets as at 30 September 2009.

## **Employment and remuneration policy**

As at 30 September 2009, the Group employed approximately 120 employees in Hong Kong and China. The Group remunerates its employees based on market terms, and the qualifications and experience of the employees concerned.

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

During the six months ended 30 September 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

The Company has met the code provisions of the Code on Corporate Governance Practices ("the Code") as set out in the Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") during the six months period ended 30 September 2009. Code provision E.1.2 of the Code which provides that the Chairman of the Board shall attend the annual general meeting of the Company. Due to unexpected business commitment, Mr. FANG Wen Quan was unable to attend the annual general meeting of the Company held on 28 August 2009 in Hong Kong. This constitutes a deviation from the code provision E.1.2 of the Code.

## **BOARD OF DIRECTORS**

During the period under review, Mr. LI Suiming has tendered resignation as the chairman of the Board due to change of his business engagements. Therefore, the Board has appointed Mr. FANG Wen Quan, the managing director of the Company as the chairman of the Board with effect from 1 August 2009. Pursuant to paragraph A.2.1, the roles of Chairman and chief executive officer of an issuer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Having considered the current business operation and the size of the Group, the Board is of the view that Mr. FANG Wen Quan acting as both the chairman of the Board and as the managing director of the Group is acceptable and in the best interest of the Group. The Board will review this situation periodically.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors (“the Model Code”) of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors’ securities transactions. Having made specific enquiry of all the directors of the Company, they all confirm that they have complied with the Model Code throughout the six months ended 30 September 2009.

## **AUDIT COMMITTEE**

The audit committee of the Company comprises three independent non-executive directors. The audit committee has reviewed together with the management of the Company the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including review of the interim results for the six months ended 30 September 2009.

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

Hong Kong, 11 December 2009

*As at the date of this announcement, the executive directors of the Company are Mr. FANG Wen Quan, Mr. LI Suiming and Mr. LIU Huijiang and the independent non-executive directors are Mr. CHIU Sung Hong, Mr. CHIU Fan Wa and Mr. LAM Yat Fai.*

\* *For identification purpose only*