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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 CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Announcement and as stated in the Announcement, on 5 May 2010, the Company and Tianda entered into the Asset Swap Agreement pursuant to which, among other things, Tianda agreed to transfer its 60% entire interest in Cheng Cheng to the Company. As set out in the announcement of the Company dated 13 July 2010 regarding the poll results of the extraordinary general meeting approving, among other things, the Asset Swap Agreement, the ordinary resolutions approving the Asset Swap Agreement were duly passed.

Upon the Completion, Cheng Cheng will become a subsidiary of the Company. It is expected that the Framework Agreement will be entered into among the Company, Cheng Cheng and Hongta for the purchase of the Materials and the sale of the cigarette packaging packs and boxes.

Hongta is a substantial Shareholder indirectly holding approximately 22.99% equity interest of the issued share capital of the Company and is a connected person of the Company under the Listing Rules. Therefore, transactions contemplated under the Framework Agreement, following the Completion, will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As all the relevant percentage ratios in respect of each of the Annual Purchase Cap and the Annual Sales Cap exceed 5%, the Framework Agreement and the transactions contemplated thereunder are subject to the requirements of reporting, announcement and the Independent Shareholders' approval under Chapter 14A of the Listing Rules.

* *For identification purpose only*

The EGM will be convened to approve the Framework Agreement and the transactions contemplated thereunder (including the Annual Purchase Caps and the Annual Sales Caps). Hongta and its associates are required to abstain from voting in respect of the relevant resolutions to be proposed at the EGM.

A circular containing, among other things, information on the Framework Agreement and the transactions contemplated thereunder (including the Annual Purchase Caps and the Annual Sales Caps); the letters from the independent board committee of the Company and the independent financial adviser containing their respective opinions on the Framework Agreement and the transactions contemplated thereunder (including the Annual Purchase Caps and the Annual Sales Caps); and notice of the EGM, will be dispatched to the Shareholders on or before 6 August 2010.

INTRODUCTION

Reference is made to the Announcement and as stated in the Announcement, on 5 May 2010, the Company and Tianda entered into the Asset Swap Agreement pursuant to which, among other things, Tianda agreed to transfer its 60% entire interest in Cheng Cheng to the Company.

As set out in the announcement of the Company dated 13 July 2010 regarding the poll results of the extraordinary general meeting approving, among other things, the Asset Swap Agreement, the ordinary resolutions approving the Asset Swap Agreement were duly passed.

Upon the Completion, the Company will hold 60% interest in Cheng Cheng and Cheng Cheng will become a non-wholly owned subsidiary of the Company. It is proposed that the Framework Agreement will be entered into among the Company, Cheng Cheng and Hongta for the purchase of the Materials and the sale of the cigarette packaging packs and boxes.

Hongta is a substantial Shareholder indirectly holding approximately 22.99% equity interest of the issued share capital of the Company and is a connected person of the Company under the Listing Rules. Therefore, transactions contemplated under the Framework Agreement, following the Completion, will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

THE FRAMEWORK AGREEMENT

Date:

The Framework Agreement will be entered into after obtaining approval from the Independent Shareholders at the EGM

Parties:

- (i) the Company;
- (ii) Cheng Cheng; and
- (iii) Hongta

(A) Purchase of Materials

Nature of transaction:

It is proposed that Cheng Cheng will purchase and the Materials Suppliers will sell the Materials on an order-by-order basis for a term commencing from the date of the Framework Agreement to 31 March 2013. The Materials include the specially made anti-counterfeiting papers and anti-counterfeiting labels exclusively used for the purpose of manufacturing the cigarette packaging packs and boxes for Hongta Cigarettes.

Pricing basis

The Materials will be sold to Cheng Cheng by the Materials Suppliers on an order-by-order basis at a price with reference to (i) the historical price of the Materials in the previous transactions between Cheng Cheng and the Materials Suppliers; and (ii) the prevailing market prices of similar types of materials used for manufacturing similar types of cigarette packaging packs and boxes and shall be comparable to the prices of the Materials charged by the Materials Suppliers to other cigarette packaging packs and boxes manufacturers.

Annual Purchase Caps

The Annual Purchase Caps for the three financial years ending 31 March 2013 are set out as follows:

Financial year ending	Annual Purchase Caps <i>RMB (million)</i>
31 March 2011	29 (equivalent to approximately HK\$33.3 million) (included the actual amount of RMB7.9 million for the period from 1 April 2010 to 30 June 2010)
31 March 2012	33 (equivalent to approximately HK\$37.9 million)
31 March 2013	36 (equivalent to approximately HK\$41.3 million)

The Annual Purchase Cap for the year ending 31 March 2011 is determined with reference to (i) the actual amount paid by Cheng Cheng to the Materials Suppliers in the previous transactions for the year ended 31 March 2010 of approximately RMB26.1 million; and (ii) the actual amount of orders placed by Cheng Cheng to the Materials Suppliers for the purchase of anti-counterfeiting papers and anti-counterfeiting labels amounted to approximately RMB7.9 million for the period from 1 April 2010 to 30 June 2010.

The annual increment of the Annual Purchase Caps for the two years ending 31 March 2013 respectively is estimated at approximately 10% from the previous year on a prudent basis with respect to the estimated growth rate of the sales of cigarette packaging packs and boxes (basis of which is set out in the sub-sectioned headed “Annual Sales Caps” below) assuming that the quality level of the cigarette packaging packs and boxes is stable during the three years ending 31 March 2013.

(B) Sales of cigarette packaging packs and boxes

Nature of transaction:

It is proposed that Cheng Cheng will sell and the Packs and Boxes Customers, will purchase the cigarette packaging packs and boxes on an order-by-order basis for a term commencing from the date of the Framework Agreement to 31 March 2013.

Pricing basis

The sale of the cigarette packaging packs and boxes shall be provided on normal commercial terms. The price for each sale of the cigarette packaging packs and boxes to the Packs and Boxes Customers will be determined by the parties with reference to (i) the historical price of the cigarette packaging packs and boxes in the previous transactions between Cheng Cheng and Packs and Boxes Customers; (ii) the estimated increase in demand for Hongta Cigarettes in the PRC and overseas market; and (iii) the tender price for tendering the manufacture of the cigarette packaging packs and boxes every year by the cigarette packaging packs and boxes manufacturers authorised by Hongta.

Annual Sales Caps

The Annual Sales Caps for the three financial years ending 31 March 2013 are set out as follows:

Financial year ending	Annual Sales Caps <i>RMB (million)</i>
31 March 2011	107 (equivalent to approximately HK\$122.8 million) (included the actual amount of RMB26.6 million for the period from 1 April 2010 to 30 June 2010)
31 March 2012	119 (equivalent to approximately HK\$136.5 million)
31 March 2013	131 (equivalent to approximately HK\$150.3 million)

The Annual Sales Cap for the year ending 31 March 2011 is determined with reference to (i) the historical aggregate amount sold to the Packs and Boxes Customers by Cheng Cheng in previous transactions for the year ended 31 March 2010 of approximately RMB98 million; (ii) the actual sales orders placed by the Packs and Boxes Customers to Cheng Cheng for the cigarette packaging packs and boxes amounted to approximately RMB26.6 million for the period from 1 April 2010 to 30 June 2010; and (iii) the anticipated increase in demand of orders in view that Hongta has adopted the designs of the cigarette packaging packs and boxes for two brands of Hongta Cigarettes which are designed by Cheng Cheng.

The annual increment of the Annual Sales Caps for the two years ending 31 March 2013 respectively is estimated at approximately 10% from the previous year on a prudent basis with respect to (i) the compound annual growth rate of the sales amount of the cigarette packaging packs and boxes of Cheng Cheng for the three years ended 31 December 2009; (ii) the previous track records between Hongta and Cheng Cheng for the tendering results of the cigarette packaging packs and boxes each year; and (iii) the market growth rate of 15.7% of the top 30 key high-end brands in terms of volume as compares to 2008 according to the State Tobacco Monopoly Administration's annual conference report.

REASONS AND BENEFITS OF THE TRANSACTIONS

The Company acts as an investment holding company. The principal activities of the Group are research, development, production and sales of pharmaceutical and biotechnology products; exploration, development and investment of mining and energy; property holding and development as well as investment holdings.

Cheng Cheng is a sino-foreign owned enterprise established under the laws of the PRC with limited liability and is principally engaged in the manufacture of packaging and other printing products in the PRC. Hongta, a state-owned enterprise established in Yunnan Province, the PRC, is a tobacco manufacturer in the PRC, which produces and sells different brands of cigarette. In order to protect the trademark of Hongta Cigarettes, the cigarette packaging packs and boxes must contain proper anti-counterfeiting characteristics of Hongta, which enable the customers to distinguish from the counterfeit products. Thus, the cigarette packaging packs and boxes have to be made by the Materials Suppliers. In this regard, Cheng Cheng, as one of the manufacturers of the cigarette packaging packs and boxes, must purchase the Materials from the Materials Suppliers. The prices of the Materials paid by each manufacturer of the cigarette packaging packs and boxes are close to each other however Cheng Cheng can enjoy a more favourable pricing due to the geographical advantage of less transportation cost. All the cigarette packaging packs and boxes, with the names and the anti-counterfeiting labels of Hongta Cigarettes, will then be sold to the Packs and Boxes Customers for further processing of the Hongta Cigarettes.

In view of the aforesaid and that the previous transactions between Cheng Cheng and (i) the Materials Suppliers for the purchase of the Materials; and (ii) the Packs and Boxes Customers for the sale of the cigarette packaging packs and boxes will continue on a recurring basis upon the Completion, the Directors, excluding the independent non-executive Directors who will express their opinion after considering the advice from the independent financial adviser, are of the view that the Framework Agreement and the transactions contemplated thereunder (including the Annual Purchase Caps and the Annual Sales Caps) are (i) on an arm's length basis and on normal commercial terms; and (ii) fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Hongta is a substantial Shareholder indirectly holding approximately 22.99% equity interest of the issued share capital of the Company and is a connected person of the Company under the Listing Rules. Therefore, transactions contemplated under the Framework Agreement, following the Completion, will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As all the relevant percentage ratios in respect of each of the Annual Purchase Cap and the Annual Sales Cap exceed 5%, the Framework Agreement and the transactions contemplated thereunder are subject to the requirements of reporting, announcement and the Independent Shareholders' approval under Chapter 14A of the Listing Rules.

The EGM will be convened to approve the Framework Agreement and the transactions contemplated thereunder (including the Annual Purchase Cap and the Annual Sales Cap). Hongta and its associates are required to abstain from voting in respect of the relevant resolutions to be proposed at the EGM.

A circular containing, among other things, information on the Framework Agreement and the transactions contemplated thereunder (including the Annual Purchase Caps and the Annual Sales Caps); the letters from the independent board committee of the Company and the independent financial adviser containing their respective opinions on the Framework Agreement and the transactions contemplated thereunder (including the Annual Purchase Caps and the Annual Sales Caps); and notice of the EGM, will be dispatched to the Shareholders on or before 6 August 2010.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	the acquisition of the 60% equity interest in Cheng Cheng by the Company from Tianda pursuant to the Asset Swap Agreement
“Announcement”	announcement of the Company dated 12 May 2010 in relation to, among other things, the Acquisition
“Asset Swap Agreement”	the conditional asset swap agreement dated 5 May 2010 entered into between the Company and Tianda
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Annual Purchase Cap”	the maximum aggregate annual value of the transactions contemplated under the Framework Agreement for the purchase of the Materials for the period ending 31 March 2011 and each of the two years ending 31 March 2012 and 31 March 2013 respectively
“Annual Sales Cap”	the maximum aggregate annual value of the transactions contemplated under the Framework Agreement for the sale of the cigarette packaging packs and boxes for the period ending 31 March 2011 and each of the two years ending 31 March 2012 and 31 March 2013 respectively
“Board”	the board of Directors
“Cheng Cheng”	珠海經濟特區誠成印務有限公司 (Zhuhai Special Economic Zone Cheng Cheng Printing Co., Ltd.*), a sino-foreign owned enterprise established under the laws of the PRC with limited liability

“Company”	Yunnan Enterprises Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, the Framework Agreement and the transactions contemplated thereunder (including the Annual Purchase Caps and the Annual Sales Caps)
“Framework Agreement”	an agreement proposed to be entered into among the Company, Cheng Cheng and Hongta for (i) the purchase of the Materials and (ii) the sale of the cigarette packaging packs and boxes
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hongta”	紅塔煙草(集團)有限責任公司 (Hongta Tobacco (Group) Limited*), a state-owned enterprise established in Yunnan Province, the PRC
“Hongta Cigarettes”	all brands of cigarettes manufactured by Hongta
“Independent Shareholders”	Shareholders other than Hongta and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Materials”	the specially made anti-counterfeiting papers and anti-counterfeiting labels exclusively used for the purpose of manufacturing the cigarette packaging packs and boxes for Hongta Cigarettes
“Materials Suppliers”	the associates designated by Hongta
“Packs and Boxes Customers”	the subsidiaries designated by Hongta
“PRC”	the People’s Republic of China which for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Shares”	the existing ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“State Tobacco Monopoly Administration”	a government bureau in the PRC which is responsible for centralized management of staff, finance, properties, products, supply, distribution, and domestic and foreign trade of the tobacco industry in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianda”	Tianda Group Limited (天大集團有限公司), a company incorporated in Hong Kong with limited liability. Tianda is wholly-owned by Mr. Fang Wen Quan, the controlling Shareholder, holding approximately 50.86% of the issued share capital of the Company and the controlling shareholder of Cheng Cheng holding 60% equity interest of Cheng Cheng

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent.

Exchange rate used in the announcement is 1RMB = HK\$1.1474

By order of the Board
Yunnan Enterprises Holdings Limited
Fang Wen Quan
Chairman

Hong Kong, 22 July 2010

As at the date of this announcement, the executive Directors are Mr. Fang Wen Quan (the Chairman and Managing Director), 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.