
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Yunnan Enterprises Holdings Limited, you should at once hand this Prospectus to the purchaser or transferee or to the bank, licensed securities dealer or other agents through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of this Prospectus, together with the Application Form and the document specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix III to this Prospectus, have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance. The Registrar of Companies in Hong Kong and the Securities and Futures Commission in Hong Kong take no responsibility as to the contents of any document referred to above.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC (as defined herein) for deposit, clearance and settlement in CCASS (as defined herein) with effect from the commencement date of dealings in the Offer Shares or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. You should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, 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 Prospectus.



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)

OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR EVERY EXISTING SHARE HELD ON THE RECORD DATE

Financial adviser to the Company



First Shanghai Capital Limited

Underwriter to the Open Offer



The Latest Time for Acceptance of and payment for the Offer Shares is 4:00 p.m. on Wednesday, 28 July 2010. The procedures for application and payment for the Offer Shares are set out on pages 22 to 23 of this Prospectus.

The Open Offer is conditional, inter alia, upon the fulfillment of the conditions set out under the section headed "Conditions of the Open Offer" on pages 15 to 16 of this Prospectus. The Underwriter is entitled under the Underwriting Agreement to terminate the Underwriting Agreement on the occurrence of certain events, including but not limited to force majeure, as more particularly described in the section headed "Termination of the Underwriting Agreement" on pages 16 to 18 of this Prospectus. The Open Offer is therefore also subject to the Underwriter not terminating the Underwriting Agreement. Accordingly, the Open Offer may or may not proceed.

Shareholders should note that the Shares have been dealt in on an ex-entitlement basis commencing from Thursday, 8 July 2010 and that dealings in the Shares may take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in the Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on Monday, 2 August 2010), will accordingly bear the risk that the Open Offer may not become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

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DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following terms shall have the following meanings:

“Application Form(s)”	the form(s) of application in respect of the Open Offer to be issued to the Qualifying Shareholders
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day (other than a Saturday or Sunday) on which banks in Hong Kong are generally open for business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices procedures and administrative requirement relating to the operations and functions of CCASS, as from time to time in force
“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 on 20 September 1995 with limited liability which is owned as to (i) 60% by Tianda Group, (ii) 30% by Yunnan Hongta, and (iii) 10% by Hong Kong Yu Chen Trading Development Limited (香港玉成貿易發展有限公司) .
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Yunnan Enterprises Holdings Limited (Stock Code: 0455), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“controlling shareholder(s)”	has the meanings ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company

DEFINITIONS

“Excluded Shareholder(s)”	the Overseas Shareholders whom the Directors, having made enquiry regarding the legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place, consider it necessary or expedient not to offer the Offer Shares to such Shareholders on account either because of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 and holding (i) the entire equity interest of Yunnan Hongta; and (ii) approximately 92.28% interest in the issued share capital of South Hong which in turn is the substantial Shareholder holding approximately 22.99% interest in the issued share capital of the Company
“Independent Third Party(ies)”	person(s) or company(s) who/which is/are not connected with the directors, chief executive or substantial shareholders (as defined under the Listing Rules) of the Company and its subsidiaries, or any of their respective associates
“Irrevocable Undertakings”	the irrevocable undertakings dated 5 May 2010 under which Tianda Group has irrevocably undertaken to the Company, among others, to subscribe in full for its assured allotments of the Offer Shares under the Open Offer and those Offer Shares not having been subscribed for by the Qualifying Shareholders
“Last Trading Day”	Wednesday, 5 May 2010, being the last trading day which was immediately prior to the suspension of trading in the Shares on Thursday, 6 May 2010 on the Main Board of the Stock Exchange

DEFINITIONS

“Latest Practicable Date”	8 July 2010, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information referred to in this Prospectus
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 28 July 2010 or such later time to be agreed in writing between the Company and the Underwriter, being the latest time for application of the offer of Offer Shares
“Latest Time for Termination”	4:00 p.m. on Monday, 2 August 2010 or such later time to be agreed in writing between the Company and the Underwriter, being the latest time for the Underwriter to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Fang”	Mr. Fang Wen Quan, an executive Director and the beneficial owner of the entire issued share capital of the Tianda Group
“Offer Share(s)”	935,059,080 new Shares proposed to be offered to the Qualifying Shareholders for subscription on the terms and subject to the conditions set out in the Underwriting Agreement and in the Prospectus Documents
“Open Offer”	the proposed offer for subscription at the Subscription Price to be made by the Company to the Qualifying Shareholders in the proportion of one Offer Share for every existing Share held on the Record Date by way of open offer upon the terms and conditions mentioned herein and more particularly described in the Prospectus Documents
“Overseas Shareholder(s)”	Shareholders with registered addresses (as shown in the register of members of the Company as at the close of business on the Record Date) which are outside Hong Kong

DEFINITIONS

“PRC”	the People’s Republic of China which for the purpose of this Prospectus, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer
“Prospectus Documents”	the Prospectus and the Application Form
“Prospectus Posting Date”	Wednesday, 14 July 2010, the date of despatch of the Prospectus Documents, or such other date as the Underwriter may agree in writing with the Company for the despatch of the Prospectus Documents
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company as at the close of business on the Record Date, other than the Excluded Shareholders
“Record Date”	Tuesday, 13 July 2010, or such other date as may be agreed between the Company and the Underwriter for the determination of the entitlements under the Open Offer
“Registrar”	Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, being the share registrar of the Company in Hong Kong
“Settlement Date”	the date being the fifth Business Day after the Latest Time for Acceptance (or such later day the Company and the Underwriter may agree)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the existing share(s) of HK\$0.10 each in the share capital of the Company

DEFINITIONS

“Shareholder(s)”	the holder(s) of the Shares
“South Hong”	South Hong Investment Limited, a company incorporated in Hong Kong with limited liability, which is beneficially owned as to approximately (i) 92.28% by Hongta, (ii) 3.43% by Mr. Fang, and (iii) 4.29% by an Independent Third Party
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.21 per Offer Share pursuant to the Open Offer
“subsidiaries”	has the meaning ascribed to it in the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Takeovers Code”	The Codes on Takeovers and Mergers
“Tianda Group” or “Underwriter”	Tianda Group Limited (天大集團有限公司), a company incorporated in Hong Kong with limited liability and the underwriter to the Open Offer. Tianda Group is wholly-owned by Mr. Fang and is the controlling Shareholder holding approximately 50.86% of the entire issued share capital of the Company as at the Latest Practicable Date
“Underwriting Agreement”	the conditional underwriting agreement dated 5 May 2010 and entered into between the Company and the Underwriter in relation to the Open Offer
“Underwritten Shares”	459,473,000 Offer Shares, being all Offer Shares (including the Offer Shares to which the Excluded Shareholder(s) would otherwise have been entitled) to be issued pursuant to the Open Offer less those Offer Shares which Tianda Group has undertaken to take up under the Open Offer

DEFINITIONS

“Yunnan Hongta”	雲南紅塔集團有限責任公司 (Yunnan Hongta Group Limited*), a wholly-owned subsidiary of Hongta which is a state-owned enterprise established in Yunnan Province and is holding 30% equity interests in Cheng Cheng
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

* *For English translations only*

For the purpose of illustration only, amounts denominated in RMB and US\$ in this Prospectus have been translated into HK\$ at the rate of RMB0.88 = HK\$1 and US\$1.00 = HK\$7.80. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.

EXPECTED TIMETABLE

The expected timetable for the Open Offer is set out below for indicative purpose only and may be extended or changed. Any changes to the expected timetable for the Open Offer will be announced as and when appropriate. All times and dates stated in this Prospectus are Hong Kong times.

Date (2010)

Record Date	Tuesday, 13 July
Despatch of the Prospectus Documents	Wednesday, 14 July
Register of members re-opens	Wednesday, 14 July
Latest time for application for, acceptance of, and payment for, the Offer Shares	4:00 p.m. on Wednesday, 28 July
Latest time for the Open Offer to become unconditional	4:00 p.m. on Monday, 2 August
Announcement of results of acceptance of the Open Offer.	Tuesday, 3 August
Despatch of share certificates for fully-paid Offer Shares	Tuesday, 3 August
Dealings in Offer Shares commence.	9:30 a.m. on Thursday, 5 August

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OFFER SHARES

All time in this Prospectus refer to Hong Kong time. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on Wednesday, 28 July 2010:

- (i) at any time before 12:00 noon and no longer in force after 12:00 noon, the Latest Time for Acceptance will be postponed to 5:00 p.m. on the same Business Day; or
- (ii) at any time between 12:00 noon and 4:00 p.m., the Latest Time for Acceptance will be postponed to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

Under such circumstances, the dates mentioned in the expected timetable above (including, without limitation, the Latest Time for Termination) may be affected. An announcement will be published by the Company in such event as soon as possible.

Dates or deadlines stated in this Prospectus for events in the timetable are indicative only and may be extended or varied between the Company and the Underwriter. Any changes to the anticipated timetable for the Open Offer will be announced as appropriate.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Fang Wen Quan

(Chairman and Managing Director)

Mr. Li Suiming

Mr. Liu Huijiang

Independent non-executive Directors:

Mr. Chiu Sung Hong

Mr. Chiu Fan Wa

Mr. Lam Yat Fai

Registered office:

Windward 1

Regatta Office Park

West Bay Road

Grand Cayman

Cayman Islands

British West Indies

*Principal place of business and
head office in Hong Kong:*

Suites 2405-2410

24th Floor

CITIC Tower

No. 1 Tim Mei Avenue

Central

Hong Kong

14 July 2010

To the Shareholders

Dear Sir or Madam,

OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR EVERY EXISTING SHARE HELD ON THE RECORD DATE

INTRODUCTION

Reference is made to the announcement and circular of the Company dated 12 May 2010 and 22 June 2010 respectively, the Board has proposed to raise approximately HK\$196.4 million before expenses, by way of the Open Offer, on the basis of one Offer Share for every existing Share held on the Record Date and payable in full upon application. The Open Offer involves an issue of 935,059,080 Offer Shares at the Subscription Price of HK\$0.21 per Offer Share. Based on the estimated net proceeds of HK\$195.0 million from the Open Offer, the net price per Offer Share is approximately HK\$0.209.

* For identification purpose only

LETTER FROM THE BOARD

The purpose of this Prospectus is to provide you with, among others, further information in relation to the Open Offer, including information on dealings in and application for the Offer Shares, and financial and other information of the Group.

THE OPEN OFFER

Issue statistics

Basis of the Open Offer	:	One Offer Share for every existing Share held on the Record Date and payable in full upon application
Number of Shares in issue	:	935,059,080 Shares as at the Latest Practicable Date
Number of Offer Shares	:	935,059,080 Offer Shares
Nominal value of the Offer Shares	:	HK\$93,505,908.00
Subscription Price	:	HK\$0.21 per Offer Share payable in full upon application
Number of Shares in issue as enlarged upon completion of the Open Offer	:	1,870,118,160

As at the Latest Practicable Date, the Company has no outstanding options, warrants, derivatives or convertible securities in issue which confer any rights to subscribe for, convert or exchange into the Shares.

Subscription Price

The Subscription Price of HK\$0.21 per Offer Share is payable in full upon application of the relevant assured allotment of Offer Shares. Based on the estimated net proceeds of HK\$195.0 million from the Open Offer, the net price per Offer Share is approximately HK\$0.209. The Subscription Price represents:

- (i) a discount of approximately 72.0% to the closing price per Share of HK\$0.75 as quoted on the Stock Exchange on the Last Trading Day;

LETTER FROM THE BOARD

- (ii) a discount of approximately 73.4% to the average of the closing prices per Share of approximately HK\$0.79 for the last 5 trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iii) a discount of approximately 73.8% to the average of the closing prices per Share of approximately HK\$0.80 for the last 10 trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iv) a discount of approximately 56.3% to the theoretical ex-entitlement price of approximately HK\$0.48 per Share calculated based on the closing price per Share of HK\$0.75 as quoted on the Stock Exchange on the Last Trading Day; and
- (v) a discount of approximately 49.4% to the closing price per Share of approximately HK\$0.415 as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the then market environment, prevailing Share prices and the financial requirements of the Group. In order to enhance the attractiveness of the Open Offer, issuance of new shares by way of an open offer at a discount to the market price has been commonly adopted by listed issuers in Hong Kong. The Directors consider that the discount would encourage Shareholders to participate in the Open Offer and participate in the future growth of the Group. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date. The Directors consider that the terms of the Open Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of assured allotment

The basis of the assured allotment shall be one Offer Share for every existing Share held by the Qualifying Shareholders on the Record Date. Application for all or any part of a Qualifying Shareholder's assured allotment should be made by completing the Application Form and lodging the same with the remittance for the Offer Shares being applied for.

No transfer of nil-paid entitlements and no application for excess Offer Shares

The invitation to apply for Offer Shares will not be transferable and there will be no trading in nil-paid entitlements on the Stock Exchange.

LETTER FROM THE BOARD

Following various arm's length negotiation with the Underwriter, the Company decided that the Qualifying Shareholders will not be entitled to subscribe for any Offer Shares in excess of their respective assured entitlements. Having considered that each Qualifying Shareholder will be given equal and fair opportunities to participate in the Company's future development by subscribing for his/her/its assured entitlements under the Open Offer, the Company decided not to put in additional effort and costs to administer the excess application procedures, which is not cost-effective from the viewpoint of the Company. The absence of the excess application arrangement may not be desirable from the viewpoint of the Qualifying Shareholders who wish to take up additional Offer Shares in excess of their respective assured entitlement. However, the Board considers that excess application arrangement is administratively costly. The Board is also of the opinion that Shareholders who wish to acquire a larger proportion in the Company under the Open Offer may alternatively purchase additional Shares in the secondary market prior to the Record Date. As such, the Board considers that it is justifiable that the Company does not provide excess application arrangement in order to lower the administration costs of the Company relating to the Open Offer. Any untaken Shares (i.e. excluding those Offer Shares to be taken up by Tianda Group pursuant to the Irrevocable Undertakings) will be underwritten by the Underwriter. In the view that the related administration costs would be lower, the Directors consider that the absence of application for excess Offer Shares is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Fractional entitlements

No fractional entitlements or allotments are expected to arise as a result of the Open Offer.

Status of the Offer Shares

The Offer Shares, when allotted and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment of the Offer Shares.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Offer Shares in fully-paid form. The Offer Shares are expected to continue to be traded in the existing board lot of 2,000 Shares.

LETTER FROM THE BOARD

Subject to the grant of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Offer Shares in their fully-paid form will be subject to the payment of stamp duty and any other applicable charges and fees in Hong Kong.

Stamp duty

Dealings in the Offer Shares in board lots of 2,000, which are registered in the register of members of the Company in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Excluded Shareholders (if any), the Company will send copies of the Prospectus to them for their information only, but the Company will not send any Application Form to the Excluded Shareholders.

Closure of register of members

The register of members of the Company had been closed from Monday, 12 July 2010 to Tuesday, 13 July 2010 (both days inclusive) for the purpose of, among other things, determination of the entitlements to the Open Offer. No transfer of Shares had been registered during the book closure period.

Certificates of the Offer Shares

Subject to the fulfillment of the conditions of the Open Offer, share certificates for all fully-paid Offer Shares are expected to be posted by Tuesday, 3 August 2010 to the Qualifying Shareholders entitled thereto by ordinary post at their own risks. The Qualifying Shareholders will receive one share certificate for the entitlement to Offer Shares in fully paid form.

Rights of the Overseas Shareholders

The Prospectus Documents are not expected to be registered under the applicable securities legislation of any jurisdictions other than Hong Kong.

LETTER FROM THE BOARD

Having reviewed the register of members of the Company as at the Latest Practicable Date, the Company noted that a Shareholder registered with an overseas address is situated in Spain. The Company has complied with all necessary requirements specified in Rule 13.36(2)(a) (including notes 1 & 2) of the Listing Rules and has made enquiry with its legal advisers regarding the feasibility of extending the Open Offer to the Overseas Shareholders under the laws of the relevant places and the requirements of the relevant regulatory body or stock exchange.

Based on the result of the enquiries, the Board was informed that there are no local regulatory compliance requirement or legal restrictions in this jurisdiction in connection with the Open Offer. Accordingly, the Open Offer will be extended to the Shareholder with a registered address in Spain. The Company will send the Prospectus Documents to the Overseas Shareholder situated at Spain.

In relation to the Excluded Shareholders (if any), the Company will send the Prospectus to the Excluded Shareholders for their information only but will not send the Application Form to them. The Offer Shares to which the Excluded Shareholders would otherwise be entitled under the Open Offer will be taken up by the Underwriter.

UNDERWRITING ARRANGEMENT AND UNDERTAKINGS

The Underwriting Agreement

Date	:	5 May 2010
Underwriter	:	Tianda Group. Tianda Group is the controlling Shareholder holding an aggregate of 475,586,080 Shares (representing approximately 50.86% of the issued share capital of the Company) as at the Latest Practicable Date. Tianda Group is an investment holding company whose ordinary course of business does not involve underwriting of securities and is wholly-owned by Mr. Fang.
Number of Underwritten Shares	:	459,473,000 Offer Shares (being all Offer Shares (including the Offer Shares to which the Excluded Shareholder(s) would otherwise have been entitled) to be issued pursuant to the Open Offer less those Offer Shares which Tianda Group has undertaken to take up).
Commission	:	No underwriting commission will be paid by the Company to the Underwriter.

LETTER FROM THE BOARD

Prior to entering into the Underwriting Agreement, the Company had enquired into the financial market for possible appointment of a securities company to be an underwriter for the Open Offer. It was noted that the usual practice in the financial market is to apply a commission rate of 1% to 5% of the size of underwriting for a typical underwriting arrangement under a rights issue or an open offer. In order to lessen the cost burden of the Company in the Open Offer, no commission will be payable by the Company to Tianda Group as the Underwriter under the Open Offer. The Company will reimburse all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Open Offer. The Directors consider that such an underwriting arrangement and the terms of the Underwriting Agreement are fair and reasonable to the Company and the Shareholders as a whole.

Irrevocable Undertakings from Tianda Group

As at the Latest Practicable Date, Tianda Group is interested in 475,586,080 Shares, representing approximately 50.86% of the existing issued share capital of the Company. On 5 May 2010, Tianda Group has irrevocably undertaken to the Company, among other things, that (i) the Shares beneficially owned by it will remain registered in the same name or the name of its nominee(s) from the date of the Irrevocable Undertaking up to the close of business on the Record Date; (ii) it will subscribe in full for its entitlements under the Open Offer pursuant to the terms of the Open Offer; and (iii) not to dispose of or agree to dispose of or transfer any of the Shares beneficially owned by it or any interests (so far as applicable) in any companies controlled by it from the date of the execution of the Underwriting Agreement to and including one Business Day after the Settlement Date.

Pursuant to the Open Offer, Tianda Group will be entitled to a maximum of 475,586,080 Offer Shares.

Conditions of the Open Offer

The Open Offer is conditional, among other things, upon each of the following conditions being fulfilled:

- (i) the filing and registration of all documents relating to the Open Offer, which are required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance and the filing of all documents relating to the Open Offer, which are required to be filed with the Registrar of Companies in the Cayman Islands;
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) listing of and permission to deal in all the Offer Shares (in their fully paid form) and not having withdrawn or revoked such listings and permission;

LETTER FROM THE BOARD

- (iii) the posting of the Prospectus Documents to Qualifying Shareholders and the Overseas Shareholders;
- (iv) compliance with and performance of all the undertakings and obligations of the Company as provided in the Underwriting Agreement;
- (v) the obligations of the Underwriter not being terminated by the Underwriter in accordance with the terms of the Underwriting Agreement; and
- (vi) subject to the compliance under the Takeovers Code and the Listing Rules, the entering into of binding agreements by the Underwriter with certain places and/or sub-underwriters, which shall be Independent Third Parties, for placing and/or sub-underwriting the Offer Shares.

Save for condition (v) which may be waived by the Underwriter in whole or in part, none of the conditions above can be waived. If the conditions of the Open Offer are not satisfied and/or waived (in respect of condition (v) only) in whole or in part by the Underwriter by the Latest Time for Termination or such later date or dates as the Underwriter may agree with the Company in writing, the Underwriting Agreement shall terminate and (except in respect of any reasonable legal fees or other reasonably out-of-pocket expenses, if any, of the Underwriter, or the indemnity given to the Underwriter and any rights or obligations which may accrue under the Underwriting Agreement prior to such termination) no party will have any claim against the other party for costs, damages, compensation or otherwise.

If the Underwriting Agreement terminates in accordance with its terms, the Open Offer will not proceed. The Irrevocable Undertakings as described above will lapse.

Termination of the Underwriting Agreement

The Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if prior to the Latest Time for Termination:

- (i) in the absolute opinion of the Underwriter acting in good faith, the success of the Open Offer would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

LETTER FROM THE BOARD

- (b) the occurrence of any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof, of a political, financial, economic, currency, market or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (c) any material adverse change in the business or in the financial or trading position or prospectus of the Group as a whole; or
 - (d) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (e) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
 - (f) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days (as defined in the Listing Rules), excluding any suspension in connection with the clearance of the announcement, the circular documents or the Prospectus Documents or other announcements or circulars in connection with the Open Offer; or
- (ii) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions on Hong Kong, the PRC or other jurisdiction relevant to any company in the Group and a change in currency conditions includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which makes it inexpedient or inadvisable to proceed with the Open Offer; or

LETTER FROM THE BOARD

- (iii) the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which is material to the Group as a whole and is likely to affect materially and adversely the success of the Open Offer or might cause a prudent investor not to accept the Offer Shares to be allotted to it; or
- (iv) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter.

If the Underwriter exercises such right, the Open Offer will not proceed.

WARNING OF THE RISKS OF DEALING IN THE SHARES

The Open Offer is conditional, inter alia, upon the fulfillment of the conditions set out in the section headed “Conditions of the Open Offer”. In particular, the Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof as set out in the paragraph headed “Termination of the Underwriting Agreement”. Accordingly, the Open Offer may or may not proceed.

Any dealing in the Shares from the date of this Prospectus up to the date on which all the conditions of the Open Offer are fulfilled or waived will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed. Any Shareholders or other persons contemplating dealings in the Shares are recommended to consult their own professional advisers. The Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares.

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SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company immediately before and after completion of the Open Offer is set out below:

	As at the		Immediately		Immediately	
	Latest Practicable Date		after completion of the		after completion of the	
	<i>No. of Shares</i>	<i>%</i>	Open Offer (assuming all the Offer Shares are taken up by Qualifying Shareholders)		Open Offer (assuming that no Qualifying Shareholders, except for Tianda Group, apply for their assured allotments of Offer Shares in the Open Offer)	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Tianda Group	475,586,080	50.86	951,172,160	50.86	1,410,645,160	75.43
South Hong <i>(Note)</i>	214,992,930	22.99	429,985,860	22.99	214,992,930	11.50
	690,579,010	73.85	1,381,158,020	73.85	1,625,638,090	86.93
Public Shareholders	244,480,070	26.15	488,960,140	26.15	244,480,070	13.07
	935,059,080	100.00	1,870,118,160	100.00	1,870,118,160	100.00

Note: As at the Latest Practicable Date, South Hong was beneficially owned as to approximately (i) 92.28% by Hongta, (ii) 3.43% by Mr. Fang and (iii) 4.29% by an Independent Third Party. Mr. Fang is also a director of South Hong.

Saved for the Shares held by the Underwriter as set out above, the controlling Shareholder, Tianda Group together with Mr. Fang, has no other shares, warrants, securities carrying conversion or subscription rights into any of the Shares and options and derivatives in respect of any of the Shares as at the Latest Practicable Date.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Open Offer are subject to various factors, including the results of acceptance of the Open Offer.

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MAINTENANCE OF PUBLIC FLOAT

The Underwriter has undertaken to the Company that if the subscription for the Offer Shares by the Underwriter pursuant to the Underwriting Agreement will result in insufficient public float of the Company within the meaning of the Listing Rules as a result of the Open Offer, the Underwriter shall take all necessary steps including but not limited to the engagement of a placing agent to procure subscribers/placees/sub-underwriters, who are Independent Third Parties, to subscribe for the Shares which would otherwise be required to be taken up by the Underwriter in order to maintain the minimum public float requirement of the Company in compliance with the Listing Rules. In any event, the Company, together with the Underwriter, will closely monitor its shareholdings and will take such appropriate steps as may be necessary or required to maintain the minimum public float for the Shares in compliance with Rule 8.08(1) of the Listing Rules in relation to public float requirements. To comply with such requirements, the Underwriter, having compromised with the Company, has appointed First Shanghai Securities Limited, a licensed securities house in Hong Kong, as a sub-underwriter to take-up, or procure any other persons to take-up, any number of Offer Shares up to a level that the public float (i.e. 25% of the issued share capital) of the Company could be maintained at all the time until the commencement of dealing of the Offer Shares. The Company is fully aware that if it fails to meet the public float requirement of 25% under Rule 8.08(1) of the Listing Rules by the time of closing the Open Offer period on Wednesday, 28 July 2010, the Listing Committee of the Stock Exchange will not grant the listing approval for the Offer Shares at that time.

PREVIOUS FUND RAISING EXERCISES OF THE COMPANY

The Company did not have any fund raising exercises in the past 12 months immediately preceding the Latest Practicable Date.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The Company will raise approximately HK\$196.4 million before expenses in the Open Offer. Based on 935,059,080 Offer Shares, the estimated net proceeds from the Open Offer will be approximately HK\$195.0 million. The Company intends to use the net proceeds for possible acquisition of further equity interest in Cheng Cheng, general working capital and for investments in pharmaceutical, biotechnology, mining and energy businesses should any opportunities arise. The Group has identified some investment opportunities in pharmaceutical and biotechnology business and mining and energy business, but the negotiations are still at their preliminary stages and no legal binding agreements have been entered into as at the Latest Practicable Date. Should all such potential acquisitions and investments materialise, the net proceeds of HK\$195.0 million from the Open Offer may not be sufficient to finance those acquisitions and investments fully, and the shortfall will be financed by internal resources of the Group. If all such possible acquisitions and investments cannot be materialised, the net proceeds of the Open Offer will be used as general working capital of the Group.

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Assuming full acceptance of the Open Offer up to the maximum number of 935,059,080 Offer Shares, the total estimated expenses in relation to the Open Offer will be approximately HK\$1.4 million.

The Directors have considered other fund raising methods such as debt financing and other forms of equity financing, such as placement of new Shares and rights issue. However, the Directors consider that the debt financing would incur additional interest burden to the Company and will affect the gearing ratio of the Group. By way of placing of new Shares, the existing Shareholders will be unable to participate in the enlargement of the capital base of the Company and at the same time allow them to maintain their proportionate interests in the Company and would result in dilution of shareholding of the existing Shareholders. Although a rights issue of shares has similar features of an open offer, it involves additional administration costs to the Group for trading of nil-paid rights which requires certain arrangements to be put in place to facilitate and administer such trading, which the Company considers unnecessary on the grounds that the Subscription Price of HK\$0.21 was set at a considerable discount of approximately 72.0% to the closing price per Share of HK\$0.75 as quoted on the Stock Exchange on the Last Trading Day and, it therefore (i) will be attractive for the existing Shareholders to take up his/her/its assured allotments rather than dispose of the nil-paid rights to the market; and (ii) would be in the interest of the Company not to incur additional administration costs as compared to the Open Offer. The proposed fund raising of the Company by way of the Open Offer is constructed with an idea to provide equal opportunity to all the Qualifying Shareholders who take up their respective entitlements of the Offer Shares will participate the future development of the Group so as to maintain their respective shareholding interest in the Company. As the net proceeds from the Open Offer will primarily be utilised for possible acquisition of investments and/or general working capital, the financial position of the Company as well as the Shareholders' value in the Company are therefore increased.

Having considered that the Open Offer will strengthen the Company's capital base and enhance its financial position, provide the Qualifying Shareholders with an equal opportunity to maintain their respective pro rata shareholdings in the Company should they so wish, and participate in the future growth and development of the Company. In this regard, the Board considers that the Open Offer is in the interests of the Group and the Shareholders as a whole. **However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted.**

LETTER FROM THE BOARD

PROCEDURES FOR APPLICATION AND PAYMENT

For each Qualifying Shareholder, an Application Form is enclosed with this Prospectus which entitles you to subscribe for the number of the Offer Shares shown therein.

If you wish to exercise your right to subscribe for all the Offer Shares in your assured allotment as specified in the Application Form, you must lodge the Application Form in accordance with the instructions printed thereon, together with a remittance for the full amount payable on application, with the Company's share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Wednesday, 28 July 2010 (or, under bad weather conditions, such later date and/or time as mentioned in the paragraph headed "Effect of bad weather on the Latest Time for Acceptance of and payment for the Offer Shares" in this Prospectus). **All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "YUNNAN ENTERPRISES HOLDINGS LIMITED – OPEN OFFER ACCOUNT" and crossed "ACCOUNT PAYEE ONLY".**

It should be noted that unless the duly completed Application Form, together with the appropriate remittance, has been lodged with the Company's share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Wednesday, 28 July 2010 (or, under bad weather conditions, such later date and/or time as mentioned in the paragraph headed "Effect of bad weather on the Latest Time for Acceptance of and payment for the Offer Shares" in this Prospectus), the relevant assured allotment and all rights and entitlement thereunder will be deemed to have been declined and will be cancelled and the relevant Offer Shares will be taken up by the Underwriter and/or subscribers procured by the Underwriter.

The Application Form contains full information regarding the procedures to be followed for application of the whole or part of your assured allotment.

All cheques and cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and lodgement of the Application Form together with a cheque or cashier's order in payment of the Offer Shares being applied for will constitute a warranty that the cheque or cashier's order will be honoured upon first presentation. Any Application Form in respect of which the accompanying cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the relevant assured allotment of Offer Shares and all rights thereunder will be deemed to have been declined and will be cancelled.

LETTER FROM THE BOARD

No action has been taken to permit the offering of the Offer Shares or the distribution of this Prospectus or the Application Form for the Offer Shares in any territory other than Hong Kong (save that copies of the Prospectus will be sent to the Excluded Shareholders for their information only). Subject to the paragraph headed “Rights of the Overseas Shareholders” above, no person receiving an Application Form for the Offer Shares in any territory outside Hong Kong may treat it as an offer or invitation to apply for the Offer Shares, unless in the relevant territory such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements. Subject as referred to below, it is the responsibility of anyone outside Hong Kong wishing to make an application for the Offer Shares to satisfy himself/herself/itself/themselves as to the observance of the laws and regulations of the relevant territory or jurisdiction, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith. No application for Offer Shares will be accepted from any person whose address is outside Hong Kong unless the Company is satisfied (in its absolute discretion) that such application would not involve a breach of any applicable laws or regulatory requirements or any need for compliance with any registration or other legal or regulatory requirements. The Company reserves the right to refuse to accept any application for the Offer Shares where it believes that in doing so would violate the applicable securities or other laws or regulations of the territory of residence of the applicant.

If the Underwriting Agreement does not become unconditional or the Underwriter exercises its right to rescind the Underwriting Agreement any time on or before 4:00 p.m. on Monday, 2 August 2010, the Open Offer will not proceed and the monies received in respect of applications of the Offer Shares will be returned to the Qualifying Shareholders without interest, by means of cheques crossed “ACCOUNT PAYEE ONLY” to be despatched by ordinary post to their registered addresses and in the case of joint Qualifying Shareholders, to the registered address of the Qualifying Shareholder whose name first appears on the register of members of the Company at their own risk on or before Tuesday, 3 August 2010.

The Application Form is for use only by the person(s) named therein and is not transferable.

No receipt will be issued in respect of any application monies received.

INFORMATION ON THE GROUP

The Company is a holding company and a conglomerate with businesses ranging from pharmaceuticals and biotechnology, mining and energy to packaging and printing.

LETTER FROM THE BOARD

FUTURE PROSPECTS OF THE GROUP

While continuing to expand its domestic market, Yunnan Meng Sheng Pharmaceutical Co., Limited (“**Meng Sheng**”) will explore and develop its international market, which will further increase its sales turnover. Also, Meng Sheng 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 will contribute more profit to the Group. 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, the PRC. 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 by business restructuring and other measures should opportunities arise in order to increase the contribution to its results. Referring to the announcement and the circular of the Company dated 12 May 2010 and 22 June 2010 respectively, the Company has proposed to acquire 60% equity interest in Cheng Cheng (the “**Acquisition**”), more particular details are set out therein. The Board has considered that the Acquisition would enhance the Group’s investments and profitability in the printing business segment on top of its two existing investments in the same business, which have been operating profitably over the past few years. Cheng Cheng has been operating well over the past three financial years ended 31 December 2009 with increasing net profit after tax as well as net profit margins. Following the completion of the Acquisition, apart from the Group’s existing core business segment in pharmaceutical and bio-technology business, the Group will also put more focus on the printing business. Having considered the future prospects of the printing business, the Board considers that the Acquisition will bring new income stream to the Group and will improve the profitability and financial position of the Group in the long run. The Board also believes that the Acquisition will enhance Shareholders’ value and present the Group with favourable long-term prospects.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information in respect of the Company set out in the appendices to this Prospectus.

Yours faithfully,
For and on behalf of the Board
Yunnan Enterprises Holdings Limited
Fang Wen Quan
Chairman

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

A summary of the audited results and the assets and liabilities of the Group for the last three financial years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2009 and the six months ended 30 September 2008, as extracted from the annual reports and interim report of the Company are as follows:

CONSOLIDATED INCOME STATEMENTS

	Audited			Unaudited	
	Year ended 31 March			Six months ended	
	2007	2008	2009	2008	2009
	HK\$	HK\$	HK\$	HK\$	HK\$
Revenue	19,970,014	36,303,710	56,936,406	26,953,257	37,825,316
Cost of sales	(8,379,793)	(10,069,226)	(16,339,968)	(7,454,346)	(10,344,659)
Gross profit	11,590,221	26,234,484	40,596,438	19,498,911	27,480,657
Other income and gains	2,637,417	4,274,621	3,144,948	1,511,732	607,645
Distribution and selling expenses	(654,754)	(1,709,130)	(1,229,891)	(753,180)	(382,806)
Administrative expenses	(13,707,521)	(14,299,775)	(21,715,222)	(13,226,919)	(8,033,541)
Other expenses	–	(711,495)	(192,524)	(96,262)	(67,540)
(Loss) gain arising from change in fair value of an investment property	1,800,000	5,600,000	(2,200,000)	(700,000)	1,200,000
Share of results of associates	(16,196,039)	3,859,333	924,494	750,936	487,557
Impairment loss on investment in an investee company	(22,480,000)	(260,000)	–	–	–
Difference between the fair value of the share-based payment and the fair value of the identifiable assets received	–	(133,073,501)	–	–	–
Profit (loss) before tax	(37,010,676)	(110,085,463)	19,328,243	6,985,218	21,291,972
Income tax expenses	(56,480)	(2,831,474)	(5,638,138)	(2,064,134)	(3,579,879)
Profit (loss) for the year/period	<u>(37,067,156)</u>	<u>(112,916,937)</u>	<u>13,690,105</u>	<u>4,921,084</u>	<u>17,712,093</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

	Audited			Unaudited	
	Year ended 31 March			Six months ended 30 September	
	2007 <i>HK\$</i>	2008 <i>HK\$</i>	2009 <i>HK\$</i>	2008 <i>HK\$</i>	2009 <i>HK\$</i>
Attributable to:					
Equity holders of the Company	(39,811,376)	(121,350,292)	2,751,757	147,714	8,536,643
Minority interests	<u>2,744,220</u>	<u>8,433,355</u>	<u>10,938,348</u>	<u>4,773,370</u>	<u>9,175,450</u>
	<u>(37,067,156)</u>	<u>(112,916,937)</u>	<u>13,690,105</u>	<u>4,921,084</u>	<u>17,712,093</u>
Dividends	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>
Dividends per Share (<i>HK cents</i>)	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>
Earnings per Share (<i>HK cents</i>)	<u>(7.86)</u>	<u>(19.44)</u>	<u>0.29</u>	<u>0.02</u>	<u>0.91</u>
Diluted earnings per Share (<i>HK\$ cents</i>)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

There were neither extraordinary nor exceptional items existing during each of the three financial years ended 31 March 2009.

No qualified opinion has been issued by the auditors, Deloitte Touche Tohmatsu, for each of the three financial years ended 31 March 2009.

CONSOLIDATED BALANCE SHEETS

The table below summaries the audited consolidated balance sheets of the Group as at 31 March 2007, 2008 and 2009 and unaudited consolidated balance sheets of the Group as at 30 September 2009.

	As at 31 March			As at 30
	2007	2008	2009	September
	HK\$	HK\$	HK\$	HK\$
NON-CURRENT ASSETS				
Investment property	17,400,000	23,000,000	20,800,000	22,000,000
Property, plant and equipment	24,755,418	24,890,975	23,235,598	25,041,121
Prepaid lease payments	3,640,439	3,897,403	3,886,581	3,888,515
Goodwill	5,250,359	5,895,113	6,021,017	6,024,202
Exploration and evaluation assets	–	–	1,820,930	2,577,148
Advance payment for property, plant and equipment	–	–	1,804,926	–
Interests in associates	42,472,664	50,013,527	51,453,148	51,396,262
Investment in an investee company	32,725,141	32,465,141	32,465,141	32,465,141
	<u>126,244,021</u>	<u>140,162,159</u>	<u>141,487,341</u>	<u>143,392,389</u>
CURRENT ASSETS				
Inventories	1,742,685	2,733,854	4,664,259	4,252,251
Properties held for development	–	118,051,261	120,572,522	121,441,992
Loan to former ultimate holding company	350,000	–	–	–
Loan to an investee company	49,583	–	–	–
Trade and other receivables	7,657,579	4,198,197	7,696,283	2,224,280
Prepaid lease payments	79,570	87,283	89,148	89,197
Tax recoverable	84,747	–	–	–
Available-for-sale investment	–	3,437,813	28,337,500	32,384,950
Bank deposits	57,596,225	99,018,328	107,420,409	68,033,759
Bank balances and cash	8,545,892	39,916,148	27,957,910	73,895,761
	<u>76,106,281</u>	<u>267,442,884</u>	<u>296,738,031</u>	<u>302,322,190</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

	As at 31 March			As at 30
	2007	2008	2009	September
	HK\$	HK\$	HK\$	HK\$
CURRENT LIABILITIES				
Trade and other payables	4,183,300	5,013,402	14,969,702	3,882,096
Government grants – current portion	400,135	333,439	334,383	334,560
Deposit received	303,515	–	–	–
Amount due to an associate	809,904	909,362	891,893	892,362
Loans from ultimate holding company	–	–	3,826,000	–
Tax payable	6,633	1,072,091	3,415,452	1,433,803
	<u>5,703,487</u>	<u>7,328,294</u>	<u>23,437,430</u>	<u>6,542,821</u>
NET CURRENT ASSETS	<u>70,402,794</u>	<u>260,114,590</u>	<u>273,300,601</u>	<u>295,779,369</u>
Total assets less current liabilities	196,646,815	400,276,749	414,787,942	439,171,758
NON-CURRENT LIABILITY				
Loans from ultimate holding company	–	–	–	3,826,000
Government grants – non-current portion	<u>2,536,882</u>	<u>2,504,535</u>	<u>2,173,485</u>	<u>2,016,252</u>
	<u>2,536,882</u>	<u>2,504,535</u>	<u>2,173,485</u>	<u>5,842,252</u>
NET ASSETS	<u><u>194,109,933</u></u>	<u><u>397,772,214</u></u>	<u><u>412,614,457</u></u>	<u><u>433,329,506</u></u>
CAPITAL AND RESERVES				
Share capital	50,685,395	93,505,908	93,505,908	93,505,908
Reserves	<u>126,169,803</u>	<u>286,423,766</u>	<u>294,310,219</u>	<u>305,729,970</u>
Equity attributable to equity holders of the Company	176,855,198	379,929,674	387,816,127	399,235,878
Minority interests	<u>17,254,735</u>	<u>17,842,540</u>	<u>24,798,330</u>	<u>34,093,628</u>
	<u><u>194,109,933</u></u>	<u><u>397,772,214</u></u>	<u><u>412,614,457</u></u>	<u><u>433,329,506</u></u>

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

Set out below are the consolidated income statement of the Group for the year ended 31 March 2009, the consolidated balance sheets of the Group as at 31 March 2009, the consolidated statement of changes in equity of the Group for the year ended 31 March 2009 and the consolidated cash flow statement of the Group for the year ended 31 March 2009, together with the accompanying notes as extracted from the annual report of the Company for the year ended 31 March 2009:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	NOTES	2009 HK\$	2008 HK\$
Revenue	7	56,936,406	36,303,710
Cost of sales		<u>(16,339,968)</u>	<u>(10,069,226)</u>
Gross profit		40,596,438	26,234,484
Other income and gains	8	3,144,948	4,274,621
Distribution and selling expenses		(1,229,891)	(1,709,130)
Administrative expenses		(21,715,222)	(14,299,775)
Other expenses		(192,524)	(711,495)
(Loss) gain arising from change in fair value of an investment property	14	(2,200,000)	5,600,000
Share of results of associates	19	924,494	3,859,333
Impairment loss on investment in an investee company	20	–	(260,000)
Difference between the fair value of the share-based payment and the fair value of the identifiable assets received	33(e)	<u>–</u>	<u>(133,073,501)</u>
Profit (loss) before tax		19,328,243	(110,085,463)
Income tax expense	9	<u>(5,638,138)</u>	<u>(2,831,474)</u>
Profit (loss) for the year	10	<u><u>13,690,105</u></u>	<u><u>(112,916,937)</u></u>
Attributable to:			
Equity holders of the Company		2,751,757	(121,350,292)
Minority interests		<u>10,938,348</u>	<u>8,433,355</u>
		<u><u>13,690,105</u></u>	<u><u>(112,916,937)</u></u>
		<i>HK cent</i>	<i>HK cent</i>
Basic earnings (loss) per share	12	<u><u>0.29</u></u>	<u><u>(19.44)</u></u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****CONSOLIDATED BALANCE SHEET***At 31 March 2009*

		2009	2008
	<i>NOTES</i>	<i>HK\$</i>	<i>HK\$</i>
NON-CURRENT ASSETS			
Investment property	<i>14</i>	20,800,000	23,000,000
Property, plant and equipment	<i>15</i>	23,235,598	24,890,975
Prepaid lease payments	<i>16</i>	3,886,581	3,897,403
Goodwill	<i>17</i>	6,021,017	5,895,113
Exploration and evaluation assets	<i>18</i>	1,820,930	–
Advance payment for property, plant and equipment		1,804,926	–
Interests in associates	<i>19</i>	51,453,148	50,013,527
Investment in an investee company	<i>20</i>	32,465,141	32,465,141
		<u>141,487,341</u>	<u>140,162,159</u>
CURRENT ASSETS			
Inventories	<i>21</i>	4,664,259	2,733,854
Properties held for development	<i>22</i>	120,572,522	118,051,261
Trade and other receivables	<i>23</i>	7,696,283	4,198,197
Prepaid lease payments	<i>16</i>	89,148	87,283
Available-for-sale investment	<i>24</i>	28,337,500	3,437,813
Bank deposits	<i>25</i>	107,420,409	99,018,328
Bank balances and cash	<i>25</i>	27,957,910	39,916,148
		<u>296,738,031</u>	<u>267,442,884</u>
CURRENT LIABILITIES			
Trade and other payables	<i>26</i>	14,969,702	5,013,402
Government grants – current portion	<i>27</i>	334,383	333,439
Amount due to an associate	<i>33(a)</i>	891,893	909,362
Loans from ultimate holding company	<i>33(a), (d)</i>	3,826,000	–
Tax payable		3,415,452	1,072,091
		<u>23,437,430</u>	<u>7,328,294</u>
NET CURRENT ASSETS		<u>273,300,601</u>	<u>260,114,590</u>
Total assets less current liabilities		414,787,942	400,276,749

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

		2009	2008
	<i>NOTES</i>	<i>HK\$</i>	<i>HK\$</i>
NON-CURRENT LIABILITY			
Government grants – non-current portion	<i>27</i>	<u>2,173,485</u>	<u>2,504,535</u>
		<u><u>412,614,457</u></u>	<u><u>397,772,214</u></u>
CAPITAL AND RESERVES			
Share capital	<i>28</i>	93,505,908	93,505,908
Reserves		<u>294,310,219</u>	<u>286,423,766</u>
Equity attributable to equity holders of the Company		387,816,127	379,929,674
Minority interests		<u>24,798,330</u>	<u>17,842,540</u>
		<u><u>412,614,457</u></u>	<u><u>397,772,214</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009

	Attributable to equity holders of the Company											Total HK\$
	Reserves										Minority interests HK\$	
	Share capital HK\$	Share premium HK\$	Capital redemption reserve HK\$	Goodwill reserve HK\$ Note (i)	Special reserve HK\$ Note (ii)	Statutory reserves HK\$ Note (iii)	Exchange reserve HK\$	Change in fair value of available- for-sale investment HK\$	Accumulated losses HK\$	Sub-total HK\$		
At 1 April 2007	50,685,395	202,203,225	8,000	(7,938,469)	3,460,016	5,632,790	7,450,851	-	(84,646,610)	126,169,803	17,254,735	194,109,933
Gain on fair value changes of available-for-sale investment	-	-	-	-	-	-	-	108,420	-	108,420	-	108,420
Exchange difference arising on translation of foreign operations recognised directly in equity	-	-	-	-	-	-	10,621,461	-	-	10,621,461	1,837,716	12,459,177
Total income recognised directly in equity	-	-	-	-	-	-	10,621,461	108,420	-	10,729,881	1,837,716	12,567,597
Loss for the year	-	-	-	-	-	-	-	-	(121,350,292)	(121,350,292)	8,433,355	(112,916,937)
Total recognised income and expenses for the year	-	-	-	-	-	-	10,621,461	108,420	(121,350,292)	(110,620,411)	10,271,071	(100,349,340)
Issue of new shares (notes 28 and 33(e))	42,820,513	274,051,281	-	-	-	-	-	-	-	274,051,281	-	316,871,794
Expenses relating to issue of new shares	-	(3,176,907)	-	-	-	-	-	-	-	(3,176,907)	-	(3,176,907)
Transfer to reserves	-	-	-	-	-	2,868,135	-	-	(2,868,135)	-	-	-
Dividends paid to minority interests	-	-	-	-	-	-	-	-	-	-	(9,683,266)	(9,683,266)
At 31 March 2008 and 1 April 2008	93,505,908	473,077,599	8,000	(7,938,469)	3,460,016	8,500,925	18,072,312	108,420	(208,865,037)	286,423,766	17,842,540	397,772,214
Gain on fair value changes of available-for-sale investment	-	-	-	-	-	-	-	300,436	-	300,436	-	300,436
Exchange difference arising on translation	-	-	-	-	-	-	5,085,502	-	-	5,085,502	472,955	5,558,457
Total income recognised directly in equity	-	-	-	-	-	-	5,085,502	300,436	-	5,385,938	472,955	5,858,893
Transfer to profit and loss on disposal of available-for-sale investment	-	-	-	-	-	-	-	(251,242)	-	(251,242)	-	(251,242)
Profit for the year	-	-	-	-	-	-	-	-	2,751,757	2,751,757	10,938,348	13,690,105
Total recognised income and expenses for the year	-	-	-	-	-	-	5,085,502	49,194	2,751,757	7,886,453	11,411,303	19,297,756
Partial disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	3,825,018	3,825,018
Transfer to reserves	-	-	-	-	-	2,044,575	-	-	(2,044,575)	-	-	-
Dividends declared	-	-	-	-	-	-	-	-	-	-	(8,280,531)	(8,280,531)
At 31 March 2009	93,505,908	473,077,599	8,000	(7,938,469)	3,460,016	10,545,500	23,157,814	157,614	(208,157,855)	294,310,219	24,798,330	412,614,457

Notes:

- (i) The goodwill reserve of the Group arose on the acquisition of an associate in prior years which are engaged in the sales of pharmaceutical and biotechnology products.
- (ii) The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the share capital of a subsidiary acquired by the Company pursuant to a corporate reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in 1992.
- (iii) The statutory reserves represent the appropriation of certain percentages of profit after taxation of the subsidiaries established in the Mainland of the People's Republic of China (the "PRC") as recommended by the directors of those subsidiaries based on the PRC statutory financial statements.

CONSOLIDATED CASH FLOW STATEMENT*For the year ended 31 March 2009*

	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
OPERATING ACTIVITIES		
Profit (loss) before tax	19,328,243	(110,085,463)
Adjustments for:		
Amortisation of prepaid lease payments	89,148	82,457
Depreciation of property, plant and equipment	3,587,192	3,157,436
Loss on disposal of property, plant and equipment	111,591	–
Loss (gain) arising from change in fair value of an investment property	2,200,000	(5,600,000)
Gain on partial disposal of subsidiaries	(1,031)	–
Government grants deducted against research and development costs	(56,335)	(53,261)
Government grants released to income	(334,382)	(309,288)
Impairment loss on investment in an investee company	–	260,000
Impairment loss on loan to an investee company	–	54,390
Difference between the fair value of the share-based payment and the fair value of the identifiable assets received	–	133,073,501
Interest income from bank deposits	(2,200,503)	(2,575,438)
Fair value gain on held-for-trading investments	–	(1,312,725)
Gain on disposal of available-for-sale investment	(251,242)	–
Share of results of associates	(924,494)	(3,859,333)
Write-down of inventories	–	97,186
Operating cash flows before movements		
in working capital	21,548,187	12,929,462
Increase in inventories	(1,889,169)	(919,412)
(Increase) decrease in trade and other receivables	(5,287,888)	4,201,740
Increase in trade and other payables	1,463,094	582,367
Decrease in deposit received	–	(332,939)
Increase in trading of held-for-trading investments	–	1,320,274
Cash generated from operations	15,834,224	17,781,492
PRC income tax paid	(3,200,011)	(1,664,155)
NET CASH GENERATED FROM OPERATING ACTIVITIES	<u>12,634,213</u>	<u>16,117,337</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
INVESTING ACTIVITIES		
Increase in bank deposits	(8,222,605)	(41,422,103)
Purchase of available-for-sale investment	(28,337,500)	(3,329,393)
Proceeds of disposal of available-for-sale investment	3,580,635	–
Purchase of property, plant and equipment	(1,629,603)	(1,293,690)
Advance payment for property, plant and equipment	(1,804,926)	–
Repayment from former ultimate holding company	–	350,000
Interest received	2,200,503	2,575,438
Income derived from available-for-sale investment	157,614	–
Dividend received from an investee company	1,864,525	–
Dividend received from an associate	553,148	661,823
Sales proceeds on partial disposal of subsidiaries	3,826,049	–
Expenditure paid for exploration and evaluation asset	(1,820,930)	–
NET CASH USED IN INVESTING ACTIVITIES	<u>(29,633,090)</u>	<u>(42,457,925)</u>
FINANCING ACTIVITIES		
Loans from ultimate holding company	3,826,000	–
Acquisition of assets through purchase of a subsidiary (<i>note 33(e)</i>)	–	67,118,368
Share issue expenses	–	(3,176,907)
Dividend paid to a minority shareholder of a subsidiary	–	(9,683,266)
NET CASH GENERATED FROM FINANCING ACTIVITIES	<u>3,826,000</u>	<u>54,258,195</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(13,172,877)	27,917,607
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	39,916,148	8,545,892
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>1,214,639</u>	<u>3,452,649</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	<u><u>27,957,910</u></u>	<u><u>39,916,148</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

1. General

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. During the year, its ultimate holding company is Tianda Group Limited, a private limited company incorporated in Hong Kong. The address of the registered office and the principal place of business of the Company are disclosed on page 3 of the annual report.

During the year, the Company obtained exploration rights in two concession areas in Yunnan Province, PRC for the business segment of exploration of mineral resources. In view of expanding operating activities in the PRC undertaken by its subsidiaries and its sources of income are primarily its subsidiaries in the PRC, the Company changed its functional currency from Hong Kong dollars (“**HK\$**”) to Renminbi (“**RMB**”). As a result of the change in functional currency, the Company translated all items into RMB using the prevailing exchange rate at the date of change and the resulting translated amounts for non-monetary items are treated as their historical cost.

As the Company is listed in Hong Kong, for the convenience of the financial statements users, the results and financial position of the Group are expressed in Hong Kong dollar, the presentation currency for the consolidated financial statements.

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.

2. Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current year, the Group has applied the following amendments and interpretations (“**new HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) which are or have become effective:

Hong Kong Accounting Standard (“ HKAS ”) 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
Hong Kong (International Financial Reporting Interpretations Committee) (“ HK(IFRIC) ”) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 1 (Revised)	Presentation of Financial Statements ³
HKAS 23 (Revised)	Borrowing Costs ³
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ⁴
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ³
HKAS 39 (Amendment)	Eligible hedged items ⁴
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ³
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ³
HKFRS 3 (Revised)	Business Combinations ⁴
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ³

HKFRS 8	Operating Segments ³
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives ⁵
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁶
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ³
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁷
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners ⁴
HK(IFRIC) – Int 18	Transfers of Assets from Customers ⁸

¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2009

⁴ Effective for annual periods beginning on or after 1 July 2009

⁵ Effective for annual periods ending on or after 30 June 2009

⁶ Effective for annual periods beginning on or after 1 July 2008

⁷ Effective for annual periods beginning on or after 1 October 2008

⁸ Effective for transfers on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

3. Significant accounting policies

The consolidated financial statements have been prepared on the historical cost basis except for the investment property and certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill***Goodwill arising on acquisitions prior to 1 January 2005***

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

Goodwill arising on acquisitions of net assets and operations of another entity prior to 1 April 2001 continues to be held in reserves, and will be charged to the retained profits at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

For previously capitalised goodwill arising on acquisition of net assets and operations of another entity after 1 April 2001, the Group has discontinued amortisation from 1 April 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, interests in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associates recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sales of goods is recognised when goods are delivered and title has passed.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Share-based payment transaction

Shares issued in exchange for goods or services are measured at the fair value of the goods or services received. In case where the identifiable consideration received appears to be less than the fair value of the equity instruments granted or the liability incurred, measurement of both the goods or services received and the share-based payment may be necessary in order to measure the value of the unidentifiable goods or services received. When the unidentifiable goods or services received at the grant date do not qualify for recognition as assets, they shall be recognised as expenses.

Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at its fair value using the fair value model. Gain or loss arising from change in the fair value of investment property is included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment loss at the balance sheet date.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Buildings	3% – 9%
Plant and machinery	5% – 10%
Leasehold improvements	10% – 33 ¹ / ₃ %
Furniture, fixtures and equipment	10% – 20%
Motor vehicles	10% – 20%

Construction in progress represents plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses. Costs of exploration are capitalized pending a determination of whether sufficient quantities of potentially nonferrous metal reserves have been discovered.

Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in the search for nonferrous metal resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting nonferrous metal resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as tangible assets. These assets are assessed for impairment before reclassification.

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually. Impairment test is performed in accordance with HKAS 36 “Impairment of Assets” whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.

- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area.
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset exceeds its recoverable amount.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL is classified as financial assets held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments (investment in an investee company) that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets including trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investment stated at fair value will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities

Financial liabilities including trade and other payables, amount due to an associate and amount due to a shareholder are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories, other than properties held for development, are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Properties held for development

Properties under development which are developed in the ordinary course of business are included in the current assets and stated at the lower of cost and net realisable value. Cost comprises the costs of land use rights and other directly attributable costs.

Impairment losses on assets other than goodwill, exploration and evaluation assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Embedded derivatives

Derivates embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. HK\$) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the group entities are disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation before 1 January 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical cost prevailing at the date of acquisition.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the exchange reserve.

Change in functional currency

Functional currency of a group entity is changed only if there is a change to the underlying transactions, events and conditions relevant to the entity. The entity applied the translation procedures applicable to the new functional currency prospectively. At the date of the change, the entity translates all items into the new functional currency using the prevailing exchange rate at that date and the resulting translated amounts for non-monetary items are treated as their historical cost.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are deducted in reporting the related expense.

Retirement benefit costs

Payments to defined contribution retirement benefit plan and state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contribution.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to income statement.

Leasing

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases, except for those that are classified and accounted for as investment properties under the fair value model.

4. Key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Impairment loss on investment in an investee company

The impairment for investment in an investee company has been determined by the directors based on the difference between the carrying amount of investment and the recoverable amount. The recoverable amount represents the Group's expectation of dividends income to be received from the investment and expected net assets value sharing upon dissolution by reference to the estimation of the future cash flow discounted at an expected rate of return. Where the actual future cash flows are less than expected, further impairment loss may arise. Details of the recoverable amount calculation are disclosed in Note 20.

As at 31 March 2009, the carrying amount of investment in an investee company was HK\$32,465,141 (2008: HK\$32,465,141) and no impairment loss was recognised during year ended 31 March 2009 (for the year ended 31 March 2008: HK\$260,000 impairment loss was recognised).

Net realisable value for properties held for development

Net realisable value for properties held for development is determined by reference to management estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion. During the course of their assessment, management will also make reference to property valuations conducted by independent qualified professional valuer based on comparable market prices. Management are required to revise these estimates if there is a change in market condition or demand. If actual market conditions are less favorable than those projected by management, additional adjustments to the value of properties held for development may be required. As at 31 March 2009, the carrying amounts of properties held for development are HK\$120,572,522 (2008: HK\$118,051,261) and no impairment loss was recognised during the years ended 31 March 2009 and 2008.

5. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern in order to support its business and maximise shareholders value. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising share capital, other reserves and accumulated losses.

The directors of the Company review the capital structure on a regular basis to maintain a strong capital base to support the development of its business. The directors of the Company also balance its overall capital structure through raise new debt, issue new shares and payment of dividends.

6. Financial instruments

a. Categories of financial instruments

	2009 HK\$	2008 HK\$
Financial assets		
Loans and receivables	141,086,279	142,598,979
Available-for-sale investments	<u>60,802,641</u>	<u>35,902,954</u>
Financial liabilities		
Liabilities measured at amortised cost	<u>18,829,004</u>	<u>5,446,858</u>

b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, trade and other receivables, trade and other payables, amount due to an associate, loans from ultimate holding company, bank deposits and bank balances. Details of these financial instruments are disclosed in the respective notes. It is, and has been throughout the year, the Group's policy not to enter into trading of derivative financial instruments.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the Group's consolidated balance sheet.

In order to minimise the credit risk, management has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is in the PRC, which accounted for 100% (2008: 100%) of the total trade receivables as at 31 March 2009.

The Group has concentration of credit risk as 48.1% (2008: 83.7%) of the total trade receivables was due from the Group's largest customer within the sales of pharmaceutical and biotechnology products. The failure of this customer to make required payments could have a negative impact on the Group's results. The Group manages this risk by applying a limit on the credit to this customer.

The Group is also exposed to credit risk through the investment in certain investment products (無固定期限超短期法人理財產品), which is classified as available-for-sale investment (as disclosed in note 24) in current year.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency rate risk, interest rate risk and equity price risk. Market risk exposures are further measured by sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk. Details of each type of market risks are described as follows:

(i) Currency risk

Certain bank deposits of the Group are denominated in foreign currency. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amounts of the Group's foreign currency denominated monetary assets at the balance sheet date are as follows:

	Assets	
	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
United States Dollar ("US\$")	25,958,746	25,499,075
HK\$	<u>86,896,236</u>	<u>–</u>

Sensitivity analysis

The following table details the Group's sensitivity to a 2% increase and decrease in RMB against the relevant foreign currencies for the year ended 31 March 2009. The sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates with reference to historical fluctuation of foreign exchange rates during the year. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at 31 March 2009 for a corresponding change in foreign currencies rates. A negative number below indicates a decrease in post-tax profit for the year where the RMB strengthens against the relevant currencies. For a weakening of RMB against the relevant currency, there would be an equal and opposite impact on the post-tax profit for the year.

	2009
	<i>HK\$</i>
US\$	(519,000)
HK\$	<u>(1,738,000)</u>

A linked exchange rate system is implemented in Hong Kong to stabilise the exchange rate between the HK\$ and the US\$. As such, no sensitivity analysis on the change in HK\$ against US\$ was prepared for the year ended 31 March 2008 as in the management's opinion the impact on the profit of the Group was not material. There was no foreign currency exposure to the Group as all other monetary items were recorded in the functional currencies of each individual group entity at 31 March 2008.

The balances of bank deposits denominated in foreign currency fluctuated throughout the year and in management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and bank balances which carry at prevailing market interest rates. The Group currently does not have any interest rate hedging policy. However, the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposure to interest rate has decreased during the current year mainly due to the decrease in variable rate bank deposits and bank balances at the year end.

The sensitivity analysis below has excluded interest rate risk arising from investment products (as disclosed in note 24) as the entire investment was settled subsequent to the balance sheet date and the management considered that the interest rate risk in this regard is minimal.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to the bank deposits and bank balances which bear floating interest rates at the balance sheet date. A 50 basis point (2008: 50 basis point) increase or decrease is used to present the reasonably possible change in interest rates at the year end.

If interest rates had been 50 basis points (2008: 50 basis point) higher and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2009 would increase approximately by HK\$960,000 (2008: HK\$695,000). For a 50 basis point (2008: 50 basis point) decrease, there would be HK\$545,000 (2008: HK\$695,000) opposite impact on the post-tax profit for the year ended 31 March 2009 as the interest rate is capped at 0% for those HK\$ denominated bank deposits and bank balances with interest rate 0.001% per annum at the balance sheet date.

(iii) Price risk

The Group is exposed to price risk through its investment in an investment fund (as disclosed in note 24) for the year ended 31 March 2008 as well as an investee company (as disclosed in note 20). Therefore, exposures to price risk because of changes in market prices arose. The investment fund was disposed in the current year. The sensitivity analysis below has excluded price risk arising from investment in an investee company which is measured at cost less impairment as fair value cannot be reliably measured.

Price sensitivity analysis

For the year ended 31 March 2008, the sensitivity analysis had been determined based on the exposure to price risks for investment fund fluctuating in the market at the balance sheet date. If the price of investment fund had been 5% higher/lower the Group's equity would increase/decrease by approximately HK\$172,000 as a result of the changes in fair value of investment fund.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities as at 31 March 2009 and 2008. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Less than 3 months <i>HK\$</i>	3 months to 1 year <i>HK\$</i>	Total undiscounted cash flows <i>HK\$</i>	Carrying amount <i>HK\$</i>
As at 31 March 2009				
Trade and other payables	14,111,111	–	14,111,111	14,111,111
Amount due to an associate	891,893	–	891,893	891,893
Loans from ultimate holding company	3,826,000	–	3,826,000	3,826,000
	<u>18,829,004</u>	<u>–</u>	<u>18,829,004</u>	<u>18,829,004</u>
As at 31 March 2008				
Trade and other payables	4,179,733	357,763	4,537,496	4,537,496
Amount due to an associate	–	909,362	909,362	909,362
	<u>4,179,733</u>	<u>1,267,125</u>	<u>5,446,858</u>	<u>5,446,858</u>

c. Fair value

The fair value of financial assets and financial liabilities (excluding investment fund disclosed in note 24) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For the year ended 31 March 2008, the fair value of investment fund was determined with reference to price quoted by the bank, which was determined by reference to the net assets of the fund.

The directors of the Company consider that the carrying amounts of all financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their corresponding fair values.

7. Segment information

Revenue is measured at the fair value of the consideration received and receivable and represents the amounts received and receivable for goods sold by the Group, property rental income and dividend income from investments during the year.

(a) Business segments

For management purposes, the Group is currently organised into five operating divisions (2008: five) – research, development, production and sales of pharmaceutical and biotechnology products; exploration, development and investment of mining and energy; property rental; property development and investment holding for dividend income. These divisions are the bases on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

	Pharmaceutical and biotechnology products <i>HK\$</i>	Property rental <i>HK\$</i>	Property development <i>HK\$</i>	Investment holding <i>HK\$</i>	Mining and energy <i>HK\$</i>	Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
Year ended 31 March 2009							
REVENUE – EXTERNAL	50,417,568	858,672	–	5,660,166	–	–	56,936,406
SEGMENT RESULTS	28,032,045	(1,611,401)	–	5,182,423	(90,205)	–	31,512,862
Other income						2,751,386	2,751,386
Unallocated corporate expenses						(15,860,499)	(15,860,499)
Share of results of associates	595,636	–	–	–	–	328,858	924,494
Profit before tax							19,328,243
Income tax expense							(5,638,138)
Profit for the year							13,690,105
Year ended 31 March 2008							
REVENUE – EXTERNAL	35,445,038	858,672	–	–	–	–	36,303,710
SEGMENT RESULTS	17,121,214	5,050,898	(196,612)	(362,935)	(83,875)	–	21,528,690
Other income						3,965,333	3,965,333
Unallocated corporate expenses						(139,438,819)	(139,438,819)
Share of results of associates	3,092,131	–	–	–	–	767,202	3,859,333
Loss before tax							(110,085,463)
Income tax expense							(2,831,474)
Loss for the year							(112,916,937)

Balance sheet

	Pharmaceutical and biotechnology products <i>HK\$</i>	Property rental <i>HK\$</i>	Property development <i>HK\$</i>	Investment holding <i>HK\$</i>	Mining and energy <i>HK\$</i>	Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
At 31 March 2009							
ASSETS							
Segment assets	39,091,035	21,001,034	120,712,631	35,332,452	2,862,520	–	218,999,672
Interests in associates	44,849,039	–	–	–	–	6,604,109	51,453,148
Unallocated corporate assets						167,772,552	167,772,552
Consolidated total assets							<u>438,225,372</u>
LIABILITIES							
Segment liabilities	15,961,164	187,152	20,000	–	95,689	–	16,264,005
Unallocated corporate liabilities						9,346,910	9,346,910
Consolidated total liabilities							<u>25,610,915</u>
At 31 March 2008							
ASSETS							
Segment assets	37,087,529	23,268,500	118,160,423	34,185,346	–	–	212,701,798
Interests in associates	44,849,039	–	–	–	–	5,164,488	50,013,527
Unallocated corporate assets						144,889,718	144,889,718
Consolidated total assets							<u>407,605,043</u>
LIABILITIES							
Segment liabilities	6,447,883	179,828	10,000	–	–	–	6,637,711
Unallocated corporate liabilities						3,195,118	3,195,118
Consolidated total liabilities							<u>9,832,829</u>

Other information

	Pharmaceutical and biotechnology products <i>HKS</i>	Property rental <i>HKS</i>	Property development <i>HKS</i>	Investment holding <i>HKS</i>	Mining and energy <i>HKS</i>	Unallocated <i>HKS</i>	Consolidated <i>HKS</i>
Year ended 31 March 2009							
Capital additions	652,172	-	-	-	2,784,244	14,117	3,450,533
Loss arising from change in fair value of an investment property	-	2,200,000	-	-	-	-	2,200,000
Depreciation of property, plant and equipment	2,452,309	42,200	-	-	90,205	1,002,478	3,587,192
Amortisation of prepaid lease payments	89,148	-	-	-	-	-	89,148
Loss on disposal of property, plant and equipment	-	-	-	111,591	-	-	111,591
Year ended 31 March 2008							
Capital additions	1,273,012	-	118,051,261	-	-	20,678	119,344,951
Gain arising from change in fair value of an investment property	-	(5,600,000)	-	-	-	-	(5,600,000)
Depreciation of property, plant and equipment	2,079,496	54,616	-	-	-	1,023,324	3,157,436
Amortisation of prepaid lease payments	82,457	-	-	-	-	-	82,457
Difference between the fair value of the share-based payment and the fair value of the identifiable assets received	-	-	-	-	-	133,073,501	133,073,501
Impairment loss on investment in an investee company	-	-	-	260,000	-	-	260,000
Impairment loss on loan to an investee company	-	-	-	54,390	-	-	54,390
Write-down of inventories	97,186	-	-	-	-	-	97,186

(b) Geographical segments

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services:

	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
Hong Kong	858,672	858,672
PRC	56,077,734	35,445,038
	<u>56,936,406</u>	<u>36,303,710</u>

The following is an analysis of the carrying amount of segment assets and capital additions analysed by the geographical area in which the assets are located:

	Carrying amount of			
	Segment assets		Capital addition	
	2009	2008	2009	2008
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Hong Kong	23,868,345	24,988,705	–	–
PRC	195,131,327	187,713,093	3,450,533	119,344,951
	<u>218,999,672</u>	<u>212,701,798</u>	<u>3,450,533</u>	<u>119,344,951</u>

8. Other income and gains

	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
Interest income from bank deposits	2,200,503	2,575,438
Fair value gains on held-for-trading investments	270,572	1,312,725
Gain on disposal of available-for-sale investment	251,242	–
Gain on partial disposal of subsidiaries	1,031	–
Government grants released to income	334,382	309,288
Others	87,218	77,170
	<u>3,144,948</u>	<u>4,274,621</u>

9. Income tax expense

	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
Income tax expense comprises:		
Current year tax		
PRC enterprise income tax	5,520,497	2,831,474
Underprovision in prior years		
PRC enterprise income tax	<u>117,641</u>	<u>–</u>
	<u><u>5,638,138</u></u>	<u><u>2,831,474</u></u>

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

Taxation arising in the PRC is calculated at the rates prevailing in the relevant jurisdictions.

On 16 March 2007, the PRC promulgated the new PRC Enterprise Income Tax Law (the “**New Law**”) by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group’s subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008.

Meng Sheng, a subsidiary of the Group, is established in the Kunming economic development zone. Meng Sheng was exempted from the PRC enterprise income tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years. The 50% reduction in enterprise income tax was expired for the year ended 31 December 2007. Pursuant to the relevant laws and regulations in the PRC, Meng Sheng was entitled to a preferential Enterprise Income Tax rate of 15% from 1 January 2008 to 31 December 2010. The applicable tax rate to Meng Sheng is 15% (2008: 15%).

Details of deferred taxation are set out in note 29. The consolidated income tax expense for the both years can be reconciled to the profit (loss) before tax per the consolidated income statement as follows:

	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
Profit (loss) before tax	<u>19,328,243</u>	<u>(110,085,463)</u>
Tax at domestic income tax rates applicable to profits in the jurisdictions concerned (<i>note</i>)	5,693,291	(18,987,394)
Tax effect of share of results of associates	(152,532)	(675,383)
Tax effect of expenses not deductible for tax purpose	1,399,575	23,349,620
Tax effect of income not taxable for tax purpose	(1,280,895)	(342,836)
Tax effect of tax losses not recognised	1,198,304	1,726,625
Tax effect on deductible temporary difference not recognised	545,381	–
Utilisation of tax losses previously not recognised	(72,651)	(111,141)
Utilisation of deferred tax assets previously not recognised	(368)	(999,483)
Effect of temporary difference not recognised	–	(66,752)
Effect of tax concession grant to a PRC subsidiary	(3,255,518)	(1,059,723)
Underprovision in respect of prior years	117,641	–
Withholding tax of income generated from PRC	1,433,802	–
Others	<u>12,108</u>	<u>(2,059)</u>
Income tax expense for the year	<u>5,638,138</u>	<u>2,831,474</u>

Note:

Domestic income tax rates of 25% and 16.5% (2008: 33% and 17.5%) were used for preparing tax computation for group entities incorporated in PRC and Hong Kong, respectively.

10. Profit (loss) for the year

	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
Profit (loss) for the year has been arrived at after charging:		
Staff costs, including directors' emoluments		
Salaries and other benefits	7,342,465	4,538,143
Retirement benefits scheme contributions	209,108	140,752
Total staff costs	<u>7,551,573</u>	<u>4,678,895</u>
Depreciation of property, plant and equipment	3,587,192	3,157,436
Amortisation of prepaid lease payments	89,148	82,457
Auditor's remuneration	709,502	778,872
Cost of inventories recognised as expense	16,339,968	9,972,040
Impairment loss on loan to an investee company (included in other expenses)	–	54,390
Loss on disposal of property, plant and equipment (included in other expenses)	111,591	–
Research and development costs	137,268	710,366
Less: Government grants released	(56,335)	(53,261)
Net research and development costs (included in other expenses)	<u>80,933</u>	<u>657,105</u>
Write-down of inventories (included in cost of sales)	–	97,186
Expenses arising from issue of new shares (note 33(e))	–	1,377,485
and after crediting:		
Dividend income from investment in an investee company	5,660,166	–
Net foreign exchange gain	<u>177,405</u>	<u>40,701</u>

11. Directors' and employees' emoluments

(a) Directors' emoluments

The emoluments of the directors on a name basis are as follows:

	Other emoluments			Total emoluments HK\$
	Fees HK\$	Salaries and other benefits HK\$	Retirement benefits scheme contributions HK\$	
For the year ended 31 March 2009				
Mr. Li Suiming*	60,000	–	–	60,000
Mr. Fang Wen Quan*	60,000	–	–	60,000
Mr. Ma Pizhi* (resigned on 1 September 2008)	16,500	133,251	–	149,751
Mr. Li Guanglin* (resigned on 31 March 2009)	60,000	–	–	60,000
Mr. Liu Huijiang*	60,000	–	–	60,000
Mr. Ho Wing Fun (resigned on 10 April 2008)	–	–	–	–
Mr. Lam Yat Fai	60,000	–	–	60,000
Mr. Wu Wen Jing, Benjamin (resigned on 1 January 2009)	45,000	–	–	45,000
Mr. Chiu Sung Hong (appointed on 10 April 2008)	60,000	–	–	60,000
Mr. Chiu Fan Wa (appointed on 31 March 2009)	–	–	–	–
	<u>421,500</u>	<u>133,251</u>	<u>–</u>	<u>554,751</u>

	Other emoluments			Total emoluments <i>HK\$</i>
	Fees <i>HK\$</i>	Salaries and other benefits	Retirement benefits scheme contributions	
		<i>HK\$</i>	<i>HK\$</i>	
For the year ended 31 March 2008				
Mr. Li Suiming*	60,000	–	–	60,000
Mr. Fang Wen Quan*	60,000	–	–	60,000
Mr. Ma Pizhi*	60,000	426,048	–	486,048
Mr. Li Guanglin*	60,000	–	–	60,000
Mr. Liu Huijiang*	60,000	–	–	60,000
Mr. Ho Wing Fun	60,000	–	–	60,000
Mr. Lam Yat Fai	60,000	–	–	60,000
Mr. Wu Wen Jing, Benjamin	60,000	–	–	60,000
	480,000	426,048	–	906,048

* *Executive directors*

No directors waived any emoluments in the two years ended 31 March 2009 and 2008.

(b) *Employees' emoluments*

Of the five individuals with the highest emoluments in the Group, one (2008: one) was a director of the Company whose emolument is included in the disclosures in note (a) above. The emoluments of the remaining four (2008: four) individuals were as follows:

	2009 <i>HK\$</i>	2008 <i>HK\$</i>
Salaries and other benefits	1,650,023	1,214,084
Contributions to retirement benefits scheme	38,000	35,800
	1,688,023	1,249,884

The aggregate emoluments of each of the four (2008: four) highest paid individuals during both years presented are not more than HK\$1,000,000.

During both years, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

12. Basic earnings (loss) per share

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

	2009 <i>HK\$</i>	2008 <i>HK\$</i>
Earnings (loss)		
Earnings (loss) for the purpose of calculating basic earnings (loss) per share	<u>2,751,757</u>	<u>(121,350,292)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	<u>935,059,080</u>	<u>624,170,425</u>

No diluted earnings (loss) per share is presented as the Company did not have any potentially dilutive shares in issue during both years.

13. Dividends

No dividend was paid or proposed during the year ended 31 March 2009, nor has any dividend been proposed since the balance sheet date (for the year ended 31 March 2008: Nil).

14. Investment property

	<i>HK\$</i>
FAIR VALUE	
At 1 April 2007	17,400,000
Increase in fair value recognised in the consolidated income statement	<u>5,600,000</u>
At 31 March 2008	23,000,000
Decrease in fair value recognised in the consolidated income statement	<u>(2,200,000)</u>
At 31 March 2009	<u><u>20,800,000</u></u>

The investment property of the Group is property interests held under long-term operating lease in Hong Kong for the purposes of earning rentals and is measured using the fair value model and is classified and accounted for as investment property.

The fair value of the Group's investment property at 31 March 2009 and 2008 has been arrived at on the basis of a valuation carried out on respective dates by Vigers Appraisal and Consulting Limited, independent qualified professional valuers not connected with the Group. The valuation was arrived at using the direct comparison method by reference to recent market prices for similar properties in the same locations and conditions.

15. Property, plant and equipment

	Buildings <i>HK\$</i>	Plant and machinery <i>HK\$</i>	Leasehold improvements <i>HK\$</i>	Furniture, Fixtures and equipment <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Total <i>HK\$</i>
COST						
At 1 April 2007	15,295,808	9,484,225	2,824,556	3,609,829	1,158,550	32,372,968
Exchange realignment	1,495,719	839,593	–	231,851	155,347	2,722,510
Additions	202,754	513,863	–	20,679	556,394	1,293,690
At 31 March 2008	16,994,281	10,837,681	2,824,556	3,862,359	1,870,291	36,389,168
Exchange realignment	394,671	204,168	–	27,370	42,250	668,459
Additions	–	532,709	–	161,805	935,089	1,629,603
Disposals	–	(70,152)	–	(387,208)	–	(457,360)
At 31 March 2009	17,388,952	11,504,406	2,824,556	3,664,326	2,847,630	38,229,870
ACCUMULATED DEPRECIATION						
At 1 April 2007	2,502,215	2,366,179	945,694	1,384,511	418,951	7,617,550
Exchange realignment	308,312	310,850	–	46,050	57,995	723,207
Provided for the year	985,750	900,302	856,069	297,193	118,122	3,157,436
At 31 March 2008	3,796,277	3,577,331	1,801,763	1,727,754	595,068	11,498,193
Exchange realignment	81,077	146,613	–	11,952	15,014	254,656
Provided for the year	1,079,799	998,930	856,269	301,476	350,718	3,587,192
Eliminated on disposals	–	(55,087)	–	(290,682)	–	(345,769)
At 31 March 2009	4,957,153	4,667,787	2,658,032	1,750,500	960,800	14,994,272
CARRYING VALUES						
At 31 March 2009	<u>12,431,799</u>	<u>6,836,619</u>	<u>166,524</u>	<u>1,913,826</u>	<u>1,886,830</u>	<u>23,235,598</u>
At 31 March 2008	<u>13,198,004</u>	<u>7,260,350</u>	<u>1,022,793</u>	<u>2,134,605</u>	<u>1,275,223</u>	<u>24,890,975</u>

The buildings, which are situated on leasehold interest on land held under medium-term leases are located in the PRC.

16. Prepaid lease payments

	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
Prepaid lease payments for medium-term leasehold land in the PRC:		
Included in current assets	89,148	87,283
Included in non-current assets	3,886,581	3,897,403
	<u>3,975,729</u>	<u>3,984,686</u>

17. Goodwill

	<i>HK\$</i>
COST	
At 1 April 2007	5,250,359
Exchange realignment	<u>644,754</u>
At 31 March 2008	5,895,113
Exchange realignment	<u>125,904</u>
At 31 March 2009	<u>6,021,017</u>

For the purposes of impairment testing, the goodwill has been allocated to an individual cash generating unit (the “CGU”) in the sales of pharmaceutical and biotechnology products segment. During the year ended 31 March 2009 and 2008, management of the Group determines that there are no impairment of the CGU containing goodwill.

The recoverable amount of the CGU has been determined based on a value in use calculation. The value in use calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 15.27% (for the year ended 31 March 2008: 15.89%). Cash flow projections during the budget period for the CGU are based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance and the management’s expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

18. Exploration and evaluation assets*HK\$*

Additions during the year and at 31 March 2009	<u>1,820,930</u>
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Included in the above balance are expenditures incurred for acquisition of rights to explore nonferrous metal resources in Yunnan Province of the PRC over two years and carrying out activities in relation to geological research over two concession areas to evaluate the technical feasibility of exploration and extraction of mineral resources.

During the year ended 31 March 2009, the directors of the Company determines that there is no facts and circumstances suggest the carrying amount of exploration and evaluation asset exceed its recoverable amount and no impairment is recognised in the consolidated income statement.

19. Interests in associates

	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
Cost of unlisted investment in associates	52,246,744	52,246,744
Share of post-acquisition loss, net of dividends received	(9,751,505)	(10,122,851)
Exchange realignment	<u>8,957,909</u>	<u>7,889,634</u>
	<u>51,453,148</u>	<u>50,013,527</u>

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

As at 31 March 2009 and 2008, the Group had interests in the following associates:

Name of associate	Form of business structure	Place of establishment and operation	Attributable interest in registered capital held by the Group %	Principal activities
深圳新鵬生物工程 有限公司 ("深圳新鵬") [#]	Incorporated	PRC	48	Research, development, manufacture and sale of biotechnology products
雲南華寧興寧彩印 有限公司 ("雲南華寧興寧")	Incorporated	PRC	25	Printing and sale of cigarette packaging packs and boxes

[#] *The carrying amount included in the goodwill reserve is resulted from acquisition of 深圳新鵬 prior to 1 April 2001. No impairment loss was recognised during the years ended 31 March 2009 and 2008.*

The carrying amount of the investment in associates includes goodwill amounting to HK\$2,024,666 (2008: HK\$1,982,322) arising on the acquisitions of 雲南華寧興寧 in prior years.

The movement of goodwill is set out below:

	<i>HK\$</i>
COST	
At 1 April 2007	1,807,131
Exchange realignment	<u>175,191</u>
At 31 March 2008	1,982,322
Exchange realignment	<u>42,344</u>
At 31 March 2009	<u><u>2,024,666</u></u>

No impairment loss was recognised in respect of goodwill included in the investment in associates during the years ended 31 March 2009 and 2008.

The summarised financial information in respect of the Group's associates is set out below:

	2009 <i>HK\$</i>	2008 <i>HK\$</i>
Total assets	146,274,193	135,857,572
Total liabilities	<u>(21,587,327)</u>	<u>(14,114,760)</u>
Net assets	<u>124,686,866</u>	<u>121,742,812</u>
Net assets attributable to the Group	<u><u>49,428,482</u></u>	<u><u>48,031,205</u></u>
Turnover	<u>50,567,255</u>	<u>42,581,999</u>
Profit for the year	<u>3,002,113</u>	<u>9,510,749</u>
Profit for the year attributable to the Group	<u><u>924,494</u></u>	<u><u>3,859,333</u></u>

20. Investment in an investee company

The investment in an investee company at 31 March 2009 is accounted for as an available-for-sale investment which represents the Group's 18.75% (2008: 18.75%) equity interest in the registered capital of 玉溪環球彩印紙盒有限公司 (Yuxi Globe Colour Printing Carton Co., Ltd.) ("**Globe Printing**"), an unlisted company registered in the PRC being engaged in the business of printing and sale of cigarette packaging packs and boxes. This investment is measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

During the year ended 31 March 2009, management of the Group performed a review of the recoverable amount of the investment in Globe Printing and no impairment loss was recognised in the consolidated income statement (year ended 31 March 2008: an impairment loss of HK\$260,000 recognised in the consolidated income statement).

The recoverable amount of the investment in Globe Printing has been determined based on expected dividend income covering a five-year period (2008: six-year period), which is the estimated project life of the investment, and expected net assets value sharing upon dissolution at end of the fifth year, using a discount rate of 5.8% (2008: 6.5%).

21. Inventories

	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
Raw materials	2,541,691	1,308,685
Work in progress	530,512	236,098
Finished goods	<u>1,592,056</u>	<u>1,189,071</u>
	<u><u>4,664,259</u></u>	<u><u>2,733,854</u></u>

22. Properties held for development

	<i>HK\$</i>
Cost	
At 1 April 2008	118,051,261
Exchange realignment	<u>2,521,261</u>
At 31 March 2009	<u><u>120,572,522</u></u>

The amount represented leasehold land located in the PRC for development of residential properties for future sale. The Group was in the process of site structure design and no construction was commenced as at 31 March 2009. The carrying amount of properties held for development is expected to be recovered after more than 12 months.

At 31 March 2009, the management reviewed the carrying amount of the properties with reference to the estimated selling price based on prevailing market conditions, less applicable variable selling expenses and anticipated costs to completion of the residential properties provided by Vigers Appraisal and Consulting Limited. No write-down on the carrying amount of the properties is required.

23. Trade and other receivables

	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
Trade receivables	1,022,670	1,754,546
Dividends receivable from an investee company	3,795,641	–
Other receivables, deposits and prepayments	<u>2,877,972</u>	<u>2,443,651</u>
Total trade and other receivables	<u><u>7,696,283</u></u>	<u><u>4,198,197</u></u>

The Group grants an average credit period of 60 days to its trade customers. The following is the aged analysis of trade receivables at balance sheet date:

	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
0 – 60 days	1,011,052	1,682,631
Over 60 days	<u>11,618</u>	<u>71,915</u>
	<u><u>1,022,670</u></u>	<u><u>1,754,546</u></u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. All of the trade receivables that are neither past due nor impaired have the best credit quality assessed by the Group.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$11,618 (2008: HK\$71,915) which are past due as at the balance sheet date for which the Group has not provided for impairment loss.

The Group does not hold any collateral over these balances. The average age of these receivables is as follow.

Ageing of trade receivables which are past due but not impaired

	2009 HK\$	2008 HK\$
61 – 90 days	<u>11,618</u>	<u>71,915</u>

The Group reviews collectability of each accounts and no allowance being made on the past due balances because all these receivables were received after the balance sheet date.

24. Available-for-sale investment

	2009 HK\$	2008 HK\$
Investment fund	–	3,437,813
Investment products (無固定期限超短期法人理財產品)	<u>28,337,500</u>	<u>–</u>
	<u>28,337,500</u>	<u>3,437,813</u>

During the year, the Group acquired certain investment products from a bank. The investment products have no contractual maturity and its principal and accrued interests can be redeemed at the discretion of the Group. The return is determined with reference to the prevailing market interest rates and performance of the underlying debt instruments invested by the relevant bank. Accordingly, the Group is exposed to the credit risk of the underlying investments invested by the bank. The investment products are debt instruments and are designated as an available-for-sale investment on initial recognition. The investment products carry interest rate ranging from 1.30% – 2.0% per annum during the period and the return rate stated in the contract is capped at 2% per annum.

In the opinion of the directors, the fair value of the investment products at the balance sheet date approximated the principal amount, together with the accrued interests.

The investment products were settled at its principal amounts together with accrued interests subsequent to the balance sheet date.

At 31 March 2008, the fair value of the investment fund was determined based on the price quoted by a bank, the fund issuer. The fund engages in providing loans to an unlisted state-owned enterprise in the PRC and was settled at its principal amount together with accrual interest during the year ended 31 March 2009.

25. Bank deposits, bank balances and cash

The bank deposits, comprise short-term fixed deposits with original maturity of 1 month, carry a market interest rate ranging from 0.3% to 2.25% (2008: 1.39% to 4.14%) per annum.

Bank balances carry variable interest at market rates which range from 0.01% to 0.72% (2008: 0.01% to 0.72%) per annum.

Included in the carrying amount of the bank deposits are HK\$25,958,746 which is denominated in US\$ (2008: HK\$25,499,075), foreign currency of the relevant group entities.

26. Trade and other payables

The following is an analysis of the Group's trade and other payables at the balance sheet date:

	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
Trade payables		
Within 60 days	2,202,368	554,786
61 – 90 days	26,008	543,838
Over 90 days	215,806	357,763
	<u>2,444,182</u>	<u>1,456,387</u>
Dividend payable to a minority shareholder	8,280,531	–
Other payables and accruals	4,244,989	3,557,015
	<u>14,969,702</u>	<u>5,013,402</u>

The credit period on purchases of goods ranges from 30 days to 120 days. The Group monitors and maintains its cash and cash equivalents level sufficient to ensure that all payables are paid within the credit period.

27. Government grants

	<i>Note a</i>	<i>Note b</i>	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1 April 2007	2,835,337	101,680	2,937,017
Charged to consolidated income statement/released to deduct research and development costs	(309,288)	(53,261)	(362,549)
Exchange realignment	<u>256,769</u>	<u>6,737</u>	<u>263,506</u>
At 31 March 2008	2,782,818	55,156	2,837,974
Charged to consolidated income statement/released to deduct research and development costs	(334,382)	(56,335)	(390,717)
Exchange realignment	<u>59,432</u>	<u>1,179</u>	<u>60,611</u>
At 31 March 2009	<u><u>2,507,868</u></u>	<u><u>–</u></u>	<u><u>2,507,868</u></u>

Analysed for reporting purposes as:

	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
Current liabilities*	334,383	333,439
Non-current liabilities	<u>2,173,485</u>	<u>2,504,535</u>
	<u><u>2,507,868</u></u>	<u><u>2,837,974</u></u>

* The carrying amount of the government grants which is expected to be released to the consolidated income statement within one year from the balance sheet date is shown as current.

Notes:

- a. Grants were designated for the cost of acquisition of certain plant and equipment for the production of a pharmaceutical and biotechnology product and were deferred and are released to income on a straight-line basis over the expected useful lives of the related assets.
- b. The grant was given to the Group as a subsidy for expenditure on research and development of pharmaceutical products. No specific conditions were to comply with and other contingencies were attached to such grant, and management of the Group applied the government grants to the research and development of a pharmaceutical product and deducted against the costs incurred for that product in the same period.

28. Share capital

	Number of shares		Amount	
	2009	2008	2009 HK\$	2008 HK\$
Ordinary shares of HK\$0.10 each				
<i>Authorised:</i>				
At beginning of the year	2,000,000,000	1,000,000,000	200,000,000	100,000,000
Increased on 10 December 2007 (note)	<u>–</u>	<u>1,000,000,000</u>	<u>–</u>	<u>100,000,000</u>
At end of the year	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
<i>Issued and fully paid:</i>				
At beginning of the year	935,059,080	506,853,952	93,505,908	50,685,395
Issue of new shares on 21 December 2007 (Note 33(e))	<u>–</u>	<u>428,205,128</u>	<u>–</u>	<u>42,820,513</u>
At end of the year	<u>935,059,080</u>	<u>935,059,080</u>	<u>93,505,908</u>	<u>93,505,908</u>

Note:

On 10 December 2007, resolution of the shareholders were passed pursuant to which the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$200,000,000 to be divided into 2,000,000,000 ordinary shares of HK\$0.1 each by the creation of additional 1,000,000,000 unissued shares of the Company and rank pari passu in all respects with the shares then in issue.

29. Deferred taxation

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation	Tax losses	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1 April 2007	25,891	(25,891)	–
(Credit) charge to consolidated income statement	<u>(14,670)</u>	<u>14,670</u>	<u>–</u>
At 31 March 2008 and 1 April 2008	11,221	(11,221)	–
(Credit) charge to consolidated income statement	<u>(10,734)</u>	<u>10,734</u>	<u>–</u>
At 31 March 2009	<u>487</u>	<u>(487)</u>	<u>–</u>

At the balance sheet date, the Group had unused tax losses of approximately HK\$121,805,000 (2008: HK\$114,600,000) available to offset against future profits. A deferred tax asset has been recognised in respect of tax losses of approximately HK\$3,500 (2008: HK\$65,000). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK\$121,801,500 (2008: HK\$114,535,000) due to the unpredictability of future profit streams. All these losses may be carried forward indefinitely.

At the balance sheet date, the Group has other deductible temporary differences of HK\$3,277,000 (2008: HK\$101,000) in respect of excess of accounting depreciation over depreciation allowances and devaluation of investment property. No deferred tax asset has been recognised in relation to such deductible temporary differences, as it is not probable that sufficient taxable profit will be available against which the deductible temporary difference can be utilised.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings from 1 January 2008 to 31 March 2009 of a PRC subsidiary for which deferred tax liabilities have not been recognised was approximately HK\$1,659,000 (2008: HK\$1,432,000). No provision for deferred tax liability has been made in the financial statements as the amount involved is insignificant.

30. Retirement benefits scheme

The Group's Hong Kong subsidiaries operate a Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on percentage of the employees' basic salaries and are charged to the income statement as they become payable accordance with the rule of the MPF Scheme.

The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. The Group contributes 5% of relevant payroll costs to the MPF Scheme up to a maximum contribution of HK\$1,000 per employee monthly, which contribution is matched by the employee.

Where there are employees who leave the above schemes prior to the contributions vesting, the contributions payable by the Group are reduced by the amount of forfeited contributions. There is no forfeited contribution for both years.

The total cost charged to the consolidated income statement of HK\$60,261 (2008: HK\$41,098) represents contributions paid to the above schemes by the Group in respect of the current year.

The employees of the Group's PRC subsidiaries are members of state-managed retirement benefit schemes operated by the PRC government. These subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions. For the year ended 31 March 2009, the total cost charged to the consolidated income statement of HK\$148,847 (2008: HK\$99,654) represents contributions paid to the state-managed retirement benefit schemes by the Group in respect of the current year.

31. Capital commitments

	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
Commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	–	100,000

32. Operating lease*The Group as lessee*

Minimum lease payments paid under operating leases in respect of office premises during the year amounted to HK\$3,458,535 (2008: HK\$3,048,764).

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
Within one year	5,168,000	2,466,000
In the second to fifth year inclusive	<u>9,476,000</u>	<u>–</u>
	<u><u>14,644,000</u></u>	<u><u>2,466,000</u></u>

Operating leases are negotiated for an average term of 3 years and rentals are fixed over the relevant lease term.

The Group as lessor

Property rental income, less direct operating expenses from investment property of HK\$132,000 (2008: nil), earned during the year was HK\$726,672 (2008: HK\$858,672). The premise held has committed tenant for the next 11 months.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
Within one year	787,000	859,000
In the second to fifth year inclusive	<u>–</u>	<u>787,000</u>
	<u><u>787,000</u></u>	<u><u>1,646,000</u></u>

33. Related party transactions

- (a) Details of balances of the Group with related parties are set out in the consolidated balance sheet.

The amount due to an associate and loans from ultimate holding company are unsecured, interest free and repayable on demand.

(b) Transactions with related parties

	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
Repayment from former ultimate holding company	–	350,000

(c) Compensation of key management personnel

The remunerations of directors and other members of key management during the year are as follows:

	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
Short-term benefits	1,158,751	1,249,025
Post-employment benefits	12,000	15,000
	<u>1,170,751</u>	<u>1,264,025</u>

The remunerations of key management, including one director, were determined by reference to the performance of individuals and market trends.

- (d) On 13 May 2008, the Company entered into agreements with its ultimate holding company to 1) dispose of each of its 49% interest in two wholly-owned subsidiaries (Tianda Mining (Gansu) Limited and Tianda Mining (Yunnan) Limited) for a consideration of HK\$49 and HK\$3,826,000 respectively; 2) provision of shareholders' loan to these two subsidiaries for the establishment of two wholly foreign-owned enterprises in PRC and investments in exploring and development mineral resources in the PRC in proportion to their respective equity interest in the subsidiaries. As at 31 March 2009, the balance of shareholder's loan contributed by the ultimate holding company amounted to HK\$3,826,000.
- (e) On 25 October 2007, the Company entered into an acquisition agreement with Tianda Group Limited to acquire the entire issued share capital of Tianda Properties Limited (a wholly owned subsidiary of Tianda Group Limited) and the shareholder's loan at an initial consideration of HK\$167 million, representing the fair value of two parcels of land at 31 August 2007 and the aggregated cash and bank balance at the completion date. The consideration is satisfied by the Company issuing 428,205,128 ordinary shares with a nominal value of HK\$0.10 each ("**Consideration Shares**") at the issue price of HK\$0.39 per share (the "**Issue Price**"). The Issue Price represented a discount of approximately 61% to the closing published price of approximately HK\$1.00 of the Company as quoted on the Stock Exchange on 25 October 2007. Tianda Group Limited is wholly owned by Mr. Fang Wen Quan, a director of the Company who was also beneficially interested in approximately 9.35% of the issued share capital of the Company, on 25 October 2007. Details of the above are included in a circular of the Company dated 23 November 2007.

The assets of Tianda Properties Limited included land use rights with fair value of HK\$116,679,925 and bank balance and cash of HK\$67,118,368 as at 21 December 2007, the completion date of acquisition (the "**Completion Date**"), and Tianda Properties Limited has not yet commenced business. The transaction is therefore accounted for as assets acquisition. As a result, the Company recognised the assets received at their aggregated fair value of HK\$183,798,293 and the Consideration Shares issued at HK\$316,871,794, equivalent to HK\$0.74 per share (being the closing price of the Company's share as quoted on the Stock Exchange at the Completion Date). The difference between the fair values of the identifiable assets (the land use rights and bank balance and cash) received and the Consideration Shares issued amounting to HK\$133,073,501, representing other unidentifiable goods or services received by the Company, has been charged to the consolidated income statement.

34. Post balance sheet events

On 22 July, 2009, the board of directors of the Company intends to put forward a proposal to the shareholders of the Company to reduce the share premium account of the Company by an amount of HK\$300,000,000. 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.

Details of the above are included in an announcement of the Company dated 22 July, 2009.

35. Particulars of principal subsidiaries

Details of the principal subsidiaries of the Company at 31 March 2009 and 2008 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2009 %	2008 %	2009 %	2008 %	
Herway Limited	British Virgin Islands/PRC	US\$1	100	100	-	-	Investment holding
Yunnan Meng Sheng Pharmaceutical Co., Limited*	PRC	RMB36,000,000	-	-	55	55	Research, development, manufacture and sale of pharmaceutical and biotechnology products
Yunnan Nominees Limited	Hong Kong	HK\$2	100	100	-	-	Investment holding
Yunyu Bio-Pharmaceutical Company Limited	British Virgin Islands/PRC	US\$1	-	-	100	100	Investment holding
Yunyu Holdings Limited	Hong Kong	HK\$2	100	100	-	-	Investment holding
Tianheng Properties Limited (formerly known as Tianda Properties Limited)	Hong Kong	HK\$1	-	-	100	100	Investment holding
Tianda Mining (Yunnan) Limited	Hong Kong	HK\$2	51	100	-	-	Investment holding
Tianda Mining (Gansu) Limited	Hong Kong	HK\$1	51	100	-	-	Investment holding
Yunnan Tianda Mining Limited	PRC	US\$1,395,000 (2008: US\$1,192,000)	-	-	51	100	Exploration and development of mineral resources
Gansu Tianda Mining Limited *	PRC	HK\$2,320,000	-	-	51	-	Exploration and development of mineral resources
Yunyu Trading Development Limited	Hong Kong	HK\$5,000,000	100	100	-	-	Investment holding and property holding
Zhuhai Tianheng Real Estate Company Limited	PRC	RMB35,019,187	-	-	100	100	Properties development

* *Company incorporated as cooperative joint venture enterprise.*

Company established during the year ended 31 March 2009.

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only those subsidiaries which principally affect the results or assets and liabilities of the Group.

None of the subsidiaries had issued any debt securities at the balance sheet date or at any time during the year.

3. WORKING CAPITAL

The Directors are of the opinion that taking into account the Group's present internal resources and the net proceeds to be raised from the Open Offer and in the absence of unforeseen circumstances, the Group will, following completion of the Open Offer, have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this Prospectus.

4. INDEBTEDNESS

At the close of business on 31 May 2010, being the latest practicable date for this statement of indebtedness prior to the printing of this Prospectus, the Group had no outstanding indebtedness.

Save as disclosed above and apart from intra-group liabilities, at the close of business on 31 May 2010, the Group did not have any debt securities issued and outstanding, authorized or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing, bank overdrafts, liabilities under acceptances (other than normal trade bills and payables) or acceptance credits, hire purchase or other finance lease commitments, mortgages, charges, guarantees or other material contingent liabilities.

The Directors confirmed that there has been no material change in indebtedness and contingent liabilities of the Group since 31 May 2010 and up to the Latest Practicable Date.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2009, being the date to which the latest audited consolidated financial statements of the Group were made up.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP FOR THE OPEN OFFER

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared to illustrate the effect of the Open Offer of 935,059,080 Offer Shares at HK\$0.21 per Offer Share on the basis of one Offer Share for every Share held on the net tangible assets of the Group as if the Open Offer had been completed on 30 September 2009. As it is prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group as at 30 September 2009 or any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2009 as extracted from the published unaudited interim report of the Group for the six months ended 30 September 2009 and is adjusted for the effect of the Open Offer.

Adjusted unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2009 <i>(Note a)</i> <i>HK\$'000</i>	Estimated net proceeds from the Open Offer <i>(Note b)</i> <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Open Offer <i>(Note c)</i> <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share immediately after completion of the Open Offer <i>(Note c)</i> <i>HK\$</i>
424,729	194,962	619,691	0.33

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- a) The adjusted unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2009 of HK\$424,729,000 represents the unaudited consolidated net assets of the Group attributable to owners of the Company of approximately HK\$433,330,000 as extracted from the published interim report of the Company for the six months ended 30 September 2009, and deducting exploration and evaluation assets and goodwill with an aggregate amount of approximately HK\$8,601,000.
- b) The amount of estimated net proceeds from the Open Offer is calculated based on 935,059,080 Offer Shares at HK\$0.21 per Offer Share, after deducting the estimated related expenses of approximately HK\$1.4 million to be incurred by the Group.
- c) The calculation of the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is based on 1,870,118,160 Shares, comprising 935,059,080 Shares in issue as at 30 September 2009 and 935,059,080 Offer Shares.

B. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP FOR THE OPEN OFFER

The following is the text of a report from CCIF CPA Limited, the independent reporting accountants, in respect of the Unaudited Pro Forma Financial Information of the Group for the Open Offer as set out in this Appendix and prepared for the sole purpose of inclusion in this Prospectus.

Accountants' report on the Unaudited Pro Forma Financial Information for the Open Offer to the directors of Yunnan Enterprises Holdings Limited

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets, of Yunnan Enterprises Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**"), which has been prepared by the directors of the Company ("**Directors**") for illustrative purposes only, to provide information about the proposed offer ("**Open Offer**") of 935,059,080 offer shares ("**Offer Share(s)**") for subscription at the subscription price of HK\$0.21 per Offer Share on the basis of one Offer Share for every existing share of the Company held on 13 July 2010 or such other date as may be agreed between the Company and the Underwriter for the determination of the entitlements under the Open Offer, might have affected the financial information presented, for inclusion in Section A of Appendix II ("**Unaudited Pro Forma Financial Information on the Group for the Open Offer**") to the prospectus of the Company dated 14 July 2010 (the "**Prospectus**"). The basis of preparation of the Unaudited Pro Forma Financial Information is also set out in Section A of Appendix II to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the Directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagement (HKSIR) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) to the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group (as defined in the Prospectus) as at 30 September 2009 or at any future date.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Opinion

In our opinion:

- a. the unaudited pro forma financial information has been properly compiled by the Directors of the Company on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

CCIF CPA Limited

Certified Public Accounts

Hong Kong, 14 July 2010

Kwok Cheuk Yuen

Practising Certificate Number P02412

1. RESPONSIBILITY STATEMENT

This Prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and following completion of the Open Offer were and will be, as follows:

<i>Authorised</i>		<i>HK\$</i>
<u>2,000,000,000</u> Shares		<u>200,000,000.00</u>
<i>Issued and to be issued as fully paid</i>		
935,059,080 Shares in issue as at the Latest Practicable Date		93,505,908.00
Open Offer Shares to be issued pursuant to		
<u>935,059,080</u> the Open Offer		<u>93,505,908.00</u>
Total number of Shares issued and to be		
<u>1,870,118,160</u> issued after completion of the Open Offer		<u>187,011,816.00</u>

All the Shares in issue and to be issued (when fully paid) are and will rank pari passu in all respects with each other including rights to dividends, voting and return of capital. As at the Latest Practicable Date, no share or loan capital of the Company has been issued or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital, except for the Open Offer.

The Shares are listed on the Main Board of the Stock Exchange. No part of the Share or loan capital of the Company is listed or dealt in, nor is listing or permission to deal in the Share or loan capital of the Company being, or proposed to be, sought on any other stock exchange.

There are no arrangements under which future dividends will be waived or agreed to be waived.

Save as disclosed in this Prospectus, no share or loan capital of the Company or any member of the Group has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally or unconditionally to be issued or granted.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN SHARES AND IN SHARE OPTIONS

(a) Interests and short positions of Directors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of each Director or the chief executives (within the meaning of the Listing Rules) in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

Name of director	Nature of Interest	Number of shares held	% of existing issued shares
Fang Wen Quan	Corporate interest	1,401,645,160 (Note)	150.86

Note:

These 1,401,645,160 Shares represent the aggregate of (i) 475,586,080 Shares beneficially owned by Tianda Group Limited and (ii) 935,059,080 Shares (assuming nil subscription of the Offer Shares by Shareholders (other than pursuant to the underwriting commitment of Tianda Group Limited under the Underwriting Agreement) deemed to be interested in by Tianda Group Limited pursuant to the underwriting commitment under the Underwriting Agreement. Mr. Fang Wen Quan has a 100% equity interests in Tianda Group Limited and, accordingly, is deemed to have a corporate interest in the 1,401,645,160 shares of Tianda Group Limited.

As at the Latest Practicable Date, Shareholders (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company 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, or, who is directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, were as follows:

Name of shareholders	Capacity	Number of shares held	% of existing issued shares
Tianda Group Limited	Beneficial owner	1,401,645,160 <i>(Note a)</i>	150.86
Fang Wen Quan	Interest in controlled corporation	1,401,645,160 <i>(Note a)</i>	150.86
South Hong Investment Limited	Beneficial owner	214,992,930 <i>(Note b)</i>	22.99
Hongta Tobacco (Group) Limited	Interest in controlled corporation	214,992,930 <i>(Note b)</i>	22.99

Notes:

- (a) These 1,401,645,160 Shares represent the aggregate of (i) 475,586,080 shares beneficially owned by Tianda Group Limited and (ii) 935,059,080 Shares (assuming nil subscription of the Offer Shares by Shareholders (other than pursuant to the underwriting commitment of Tianda Group Limited under the Underwriting Agreement) deemed to be interested in by Tianda Group Limited pursuant to the underwriting commitment under the Underwriting Agreement. Mr. Fang Wen Quan has a 100% equity interests in Tianda Group Limited and, accordingly, is deemed to have a corporate interest in the 1,401,645,160 shares of Tianda Group Limited.
- (b) These 214,992,930 shares are beneficially owned by South Hong Investment Limited (“**South Hong**”). South Hong was beneficially owned as to approximately 92.28% by Hongta Tobacco (Group) Limited. Accordingly, Hongta Tobacco (Group) Limited is deemed to be interested in the 214,992,930 shares owned by South Hong.
- (c) Mr. Fang Wen Quan, Mr. Li Suiming and Mr. Liu Huijiang are also directors of South Hong; Mr. Li Suiming is the president of Hongta Tobacco (Group) Limited and Mr. Liu Huijiang is deputy general manager of Yunnan Hongta.

4. COMPETING BUSINESS INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling Shareholder) in a business which competes or may compete, either directly or indirectly, with the business of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, there were no existing or proposed service contracts between any of the Directors or proposed directors of the Company and any member of the Group (excluding contracts expiring or terminable by any member of the Group within one year without payment of compensation, other than statutory compensation).

6. LITIGATION

As at the Latest Practicable Date, so far as Directors are aware, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was pending or threatened against the Group.

7. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

Up to the Latest Practicable Date, none of the Directors had any direct or indirect material interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2009, being the date to which the latest published audited financial statements of the Company were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group taken as a whole.

8. EXPERT AND CONSENT

The following is the qualifications of the expert who has given an opinion or advice on the information contained in this Prospectus:

Name	Qualifications
CCIF CPA Limited	Certified Public Accountants (Practising)

As at the Latest Practicable Date, CCIF CPA Limited was not beneficially interested in the share capital of any member of the Group, nor did it has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it has any interest, either direct or indirect, in any assets which had been since 31 March 2009 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, CCIF CPA Limited has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its letter, report and/or summary of its opinion (as the case may be) and references to its name in the form and context in which it appears herein.

9. MATERIAL CONTRACTS

The following contracts (not being entered into in the ordinary course of business) have been entered into by the members of the Group within two years preceding the Latest Practicable Date and which are or may be material:

- (a) the conditional agreement dated 30 March 2010 entered into between the Yunyu Bio-Pharmaceutical Company Limited (雲玉生物製藥有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company, and 武漢人福高科技產業股份有限公司 (Wuhan Humanwell Hitech Industry Company Limited*), in relation to the disposal of 48% equity interest of 深圳新鵬生物工程股份有限公司 (Shenzhen Xinpeng Biotechnology Engineering Company Limited*), for a consideration of RMB38,850,000;

- (b) the conditional asset swap agreement dated 5 May 2010 entered into between the Company and Tianda Group in connection with (i) the acquisition of the 60% equity interest in 珠海經濟特區誠成印務有限公司 (Zhuhai Special Economic Zone Cheng Cheng Printing Co., Ltd.*) and (ii) the disposal of the 1 ordinary share in each of Tinwise Investment Limited and Tianheng Properties Limited owned by the Company and the amount of the shareholder's loan owed by the Tinwise Investment Limited to the Company; and
- (c) the Underwriting Agreement.

Save as disclosed above, no material contract (not being a contract entered into in the ordinary course of business carried on by the Group) has been entered into by any member of the Group within two years preceding the Latest Practicable Date which are or may be material.

10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE OPEN OFFER

Registered office	Windward 1 Regatta Office Park West Bay Road Grand Cayman Cayman Islands British West Indies
Head office and principal place of business in Hong Kong	Suites 2405-2410 24th Floor CITIC Tower No. 1 Tim Mei Avenue Central Hong Kong
Company secretary	Mr. Lo Tai On
Legal advisers	<i>As to Hong Kong law:</i> Jun He Law Offices Suite 2208 22nd Floor Jardine House 1 Connaught Place Central Hong Kong

	<p><i>As to PRC law:</i> Jun He Law Offices 20th Floor China Resources Building Beijing 100005 PRC</p>
Reporting accountants	<p>CCIF CPA Limited <i>Certified Public Accountants</i> 34th Floor The Lee Gardens 33 Hysan Avenue Causeway Bay Hong Kong</p>
Auditors	<p>Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35th Floor One Pacific Place 88 Queensway Hong Kong</p>
Underwriter	<p>Tianda Group Limited Suites 2401-2410, 24th Floor CITIC Tower No. 1 Tim Mei Avenue Central Hong Kong</p>
Authorised representatives	<p>Mr. Fang Wen Quan 1 Mclean Crescent Mosman N.S.W. Australia 2088</p> <p>Mr. Liu Huijiang Room 602, Unit 4, Block 9 No. 21, Xujiawan Road Hongta Yuxi Yunnan Province PRC</p>

Hong Kong share registrar and transfer office

Tricor Secretaries Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Principal bankers

Bank of Communications Co. Ltd.
20 Pedder Street
Central
Hong Kong

The Hong Kong and Shanghai Banking Corporation Limited
1 Queen's Road
Central
Hong Kong

11. EXPENSES

The expenses in connection with the Open Offer, including expenses payable to the Underwriter, printing, registration, translation, legal and accountancy charges and other expenses are estimated to amount to approximately HK\$1,360,000 and are payable by the Company.

12. PARTICULARS OF DIRECTORS**(a) Name and address of Directors***Executive Directors:*

Mr. Fang Wen Quan (*Chairman and Managing Director*)

1 Mclean Crescent
Mosman
N.S.W.
Australia 2088

Mr. Li Suiming

Room 2, Unit 9, Block C
Kaifaqu
Yuxi
Yunnan Province
PRC

Mr. Liu Huijiang
Room 602, Unit 4, Block 9
No. 21, Xujiawan Road
Hongta
Yuxi
Yunnan Province
PRC

Independent non-executive Directors:

Mr. Chiu Sung Hong
Flat 15B, Tower 5
The Leighton Hill
2B Broadwood Road
Happy Valley
Hong Kong

Mr. Chiu Fan Wa
Flat F, 13/F.
Juniper Mansion
Taikoo Shing
Quarry Bay
Hong Kong

Mr. Lam Yat Fai
Unit A, 65/F., Tower 3, Bellagio
33 Castle Peak Road
Sham Tseng
Tsuen Wan
New Territories

(b) Profiles of Directors

Mr. Fang Wen Quan (*Chairman and Managing Director*)

Mr. Fang, aged 41, was appointed as an executive Director in 2003. He is the Chairman of the Board, the Managing Director and the Chairman of the remuneration committee of the Company. He is also the Chairman and General Manager of Tianda Group (the controlling Shareholder), Tianda Pharmaceuticals Limited and Tianda Resources Limited. Since 2007, Mr. Fang has been appointed by the government of New South Wales, Australia as a member of NSW-Asia Business Council.

Mr. Li Suiming

Mr. Li, aged 52, was appointed as an executive Director in 2004. Mr. Li is a senior engineer, graduated from Yunnan Polytechnic College. Mr. Li studied the master program of International Economic and Trade Relationships of Tianjin NanKai University in 2002 and obtained a master degree in 2004. Mr. Li held the posts of workshop chief and chief engineer in Yuxi Cigarette Factory from 1975 to 1997. He was appointed as the Vice President of Hongta Group in 1997. From 2003 to 2006, Mr. Li was also the Chairman of Yunnan Hongta Group Company Limited (formerly known as Yunnan Hongta Investment Company Limited). In 2006, he was promoted to the position of President of Hongta Group.

Mr. Liu Huijiang

Mr. Liu, aged 54, was appointed as an executive Director in 2006. He is a senior engineer, graduated from College of Water Resources and Hydroelectric Engineering (now Wuhan University). Mr. Liu held the posts of design department head, assistant factory manager and factory manager of Yuxi Hydropower Supplies Factory from 1976 to 1993. He was appointed as deputy general manager of Yunnan Hongta Group Company Limited (formerly known as Yunnan Hongta Investment Company Limited) as from January 1994. Mr. Liu is also the director of SDIC Yunnan Dachaoshan Hydropower Company Limited, Yunnan Huaneng Lancang River Hydropower Company Limited, Hongta Financial Investment Company Limited, Yunnan Baiyao Group Company Limited and Kunming Pharmaceutical Corporation.

Mr. Chiu Sung Hong

Mr. Chiu, aged 63, was appointed as an independent non-executive Director, a member of the remuneration committee, the chairman and a member of the audit committee of the Company with effect from 10 April 2008. He received an LL.B. degree from the University of Sydney. He is admitted as a solicitor of the Supreme Court of New South Wales and the High Court of Australia. He has over 30 years of experience in legal practice. Mr. Chiu is the founding member of the Board of Trustees of the Australian Nursing Home Foundation and served as the General Secretary of Australian Chinese Community Association of New South Wales. Mr. Chiu is an independent non-executive director of the CNOOC Limited.

Mr. Chiu Fan Wa

Mr. Chiu, aged 45, was appointed as an independent non-executive Director, a member of the remuneration committee and a member of audit committee of the Company on 31 March, 2009. Mr. Chiu is a founder and the managing director of Chiu, Choy & Chung C.P.A. Limited, a local audit firm and a partner of F. S. Li & Co, a local audit firm. He graduated from City University of Hong Kong and obtained a Bachelor of Arts (Honours) degree with major in accountancy in 1992 and was awarded a Master of Professional Accounting from The Hong Kong Polytechnic University in 2002. He is a Certified Public Accountant (Practising) in Hong Kong, a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants, a member of The Society of Chinese Accountants & Auditors, the Associate Member of the Institute of the Chartered Accountants in England and Wales, an associate of The Hong Kong Institute of Chartered Secretaries and an associate of The Institute of Chartered Secretaries and Administrators, United Kingdom. Mr. Chiu is also an independent non-executive director of Kenford Group Holdings Limited which is listed on the Stock Exchange.

Mr. Lam Yat Fai

Mr. Lam, aged 44, was appointed as an independent non-executive Director, a member of the remuneration committee and a member of audit committee of the Company in 2004. He is a Certified Public Accountant (Practising). He is also a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Lam worked with Kwan Wong Tan & Fong and Deloitte Touche Tohmatsu for over 10 years. Mr. Lam has over 19 years of experience in auditing, taxation, corporate finance and accounting. Mr. Lam is also an independent non-executive director of G-Prop (Holdings) Limited and Oriental Press Group Limited, both of which are public companies listed on the Main Board of the Stock Exchange.

13. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents, having attached thereto the written consent referred to in the paragraph headed “Expert and Consent”, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from 9:00 a.m. to 5:00 p.m. (Monday to Friday) at Suite 2208, 22nd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong from the date of this Prospectus up to 31 July 2010 (both days inclusive):

- (a) the memorandum and articles of association of the Company;
- (b) the published annual reports of the Company for each of the two financial years ended 31 March 2008 and 2009;
- (c) the published interim report of the Company for the six months ended 30 September 2009;
- (d) the report on the unaudited pro-forma financial information of the Group dated 14 July 2010 issued by CCIF CPA Limited, the text of which is set out in Appendix II to this Prospectus;
- (e) the material contracts referred to in the section headed “Material Contracts” in this appendix;
- (f) the written consent referred to in the section headed “Expert and Consent” in this appendix;
- (g) all circulars of the Company issued pursuant to the requirements set out in Chapter 14 and/or Chapter 14A of the Listing Rules which have been issued since 31 March 2009; and
- (h) this Prospectus.

15. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Lo Tai On who is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is located at Windward 1, Regatta Office Park, West Bay Road, Grand Cayman, Cayman Islands, British West Indies.
- (c) The principal place of business of the Company is situated at Suites 2405-2410, 24th Floor, CITIC Tower, No. 1 Tim Mei Avenue, Central, Hong Kong.
- (d) The Company's share registrar and transfer office in Hong Kong is at the office of Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) The English text of this Prospectus shall prevail over the Chinese text, in case of any inconsistency.