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雲南實業控股有限公司*

YUNNAN ENTERPRISES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0455)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2009

The board of directors (the “Directors”) of Yunnan Enterprises Holdings Limited (the “Company”) announces the audited consolidated income statement of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2009 and the audited consolidated balance sheet of the Group as at 31 March 2009, together with comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	<i>NOTES</i>	2009 HK\$	2008 HK\$
Revenue	4	56,936,406	36,303,710
Cost of sales		(16,339,968)	(10,069,226)
Gross profit		40,596,438	26,234,484
Other income		3,144,948	4,274,621
Distribution costs		(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		(2,200,000)	5,600,000
Share of results of associates		924,494	3,859,333
Impairment loss on investment in an investee company		–	(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		19,328,243	(110,085,463)
Income tax expense	5	(5,638,138)	(2,831,474)
Profit (loss) for the year	6	<u>13,690,105</u>	<u>(112,916,937)</u>

		2009	2008
	<i>NOTES</i>	<i>HK\$</i>	<i>HK\$</i>
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>13,690,105</u>	<u>(112,916,937)</u>
		<i>HK cent</i>	<i>HK cent</i>
Basic earnings (loss) per share	7	<u>0.29</u>	<u>(19.44)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2009

	NOTES	2009 HK\$	2008 HK\$
NON-CURRENT ASSETS			
Investment property		20,800,000	23,000,000
Property, plant and equipment		23,235,598	24,890,975
Prepaid lease payments		3,886,581	3,897,403
Goodwill		6,021,017	5,895,113
Exploration and evaluation assets		1,820,930	–
Advance payment for property, plant and equipment		1,804,926	–
Interests in associates		51,453,148	50,013,527
Investment in an investee company		32,465,141	32,465,141
		<u>141,487,341</u>	<u>140,162,159</u>
CURRENT ASSETS			
Inventories		4,664,259	2,733,854
Properties held for development		120,572,522	118,051,261
Trade and other receivables	8	7,696,283	4,198,197
Prepaid lease payments		89,148	87,283
Available-for-sale investment		28,337,500	3,437,813
Bank deposits		107,420,409	99,018,328
Bank balances and cash		27,957,910	39,916,148
		<u>296,738,031</u>	<u>267,442,884</u>
CURRENT LIABILITIES			
Trade and other payables	9	14,969,702	5,013,402
Government grants – current portion		334,383	333,439
Amount due to an associate		891,893	909,362
Loans from ultimate holding company		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>

	2009	2008
<i>NOTES</i>	<i>HK\$</i>	<i>HK\$</i>
Total assets less current liabilities	414,787,942	400,276,749
NON-CURRENT LIABILITY		
Government grants – non-current portion	<u>2,173,485</u>	<u>2,504,535</u>
	<u>412,614,457</u>	<u>397,772,214</u>
CAPITAL AND RESERVES		
Share capital	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>412,614,457</u>	<u>397,772,214</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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.

3. BASIS OF PREPARATION

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.

4. 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:

Year ended 31 March 2009

	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>
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

BALANCE SHEET

At 31 March 2009

	Pharmaceutical and biotechnology products HK\$	Property rental HK\$	Property development HK\$	Investment holding HK\$	Mining and energy HK\$	Unallocated HK\$	Consolidated HK\$
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>

OTHER INFORMATION

Year ended 31 March 2009

	Pharmaceutical and biotechnology products HK\$	Property rental HK\$	Property development HK\$	Investment holding HK\$	Mining and energy HK\$	Unallocated HK\$	Consolidated HK\$
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

	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>
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

At 31 March 2008

	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>
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							407,605,043
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							9,832,829

OTHER INFORMATION

Year ended 31 March 2008

	Pharmaceutical and biotechnology products HK\$	Property rental HK\$	Property development HK\$	Investment holding HK\$	Mining and energy HK\$	Unallocated HK\$	Consolidated HK\$
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 HK\$	2008 HK\$
Hong Kong	858,672	858,672
PRC	56,077,734	35,445,038
	56,936,406	36,303,710

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		Capital addition	
	Segment assets			
	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
	218,999,672	212,701,798	3,450,533	119,344,951

5. 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	117,641	–
	5,638,138	2,831,474

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.

Yunnan Meng Sheng Pharmaceutical Co., Limited (“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%).

6. PROFIT (LOSS) FOR THE YEAR

	2009	2008
	HK\$	HK\$
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	7,551,573	4,678,895
Depreciation of property, plant and equipment	3,587,192	3,157,436
Amortisation of prepaid lease payments	89,148	82,457
Auditors’ 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)	80,933	657,105
Write-down of inventories (included in cost of sales)	–	97,186
Expenses arising from issue of new shares	–	1,377,485
and after crediting:		
Dividend income from investment in an investee company	5,660,166	–
Net foreign exchange gain	177,405	40,701

7. 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 HK\$	2008 HK\$
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.

8. TRADE AND OTHER RECEIVABLES

	2009 HK\$	2008 HK\$
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>7,696,283</u>	<u>4,198,197</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 HK\$	2008 HK\$
0 – 60 days	1,011,052	1,682,631
Over 60 days	<u>11,618</u>	<u>71,915</u>
	<u>1,022,670</u>	<u>1,754,546</u>

9. TRADE AND OTHER PAYABLES

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in the Preliminary Announcement in respect of the Group's consolidated balance sheet, consolidated income statement and the respective notes thereto for the year ended 31 March 2009 have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu ("Messrs. Deloitte Touche Tohmatsu"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

For the year ended 31 March 2009, the Group recorded a total turnover of approximately HK\$56.94 million, representing an increase of 57% as compared to approximately HK\$36.30 million in the previous year. The increase in turnover mainly reflected the significant increase in sales of pharmaceutical and biotechnology business during the year under review.

Based on a valuation carried out by a qualified professional valuer, the fair value of the Group's investment property as at 31 March 2009 decreased to HK\$20.80 million, resulting in a loss of HK\$2.20 million from the change in fair value of investment property (2008: a gain of HK\$5.60 million).

Gains of associated companies attributed to the Group during the year under review amounted to approximately HK\$0.92 million, less than the amount of the same period of last year (2008: approximately HK\$3.86 million).

Taking into account the income tax expense and minority interests, the Group recorded a profit attributable to shareholders of the Company of approximately HK\$2.75 million for the financial year ended 31 March 2009 (2008: a loss of approximately HK\$121.35 million). Earnings per share for the year under review was HK0.29 cent (2008: loss per share of HK19.44 cents).

If major non-cash items like the one-time loss arising from the difference in fair value as a result of issuing new shares as the consideration for the land acquisition and the change in fair value of an investment property last year are excluded, on a like-to-like comparison basis, profit for the year under review of approximately HK\$15.89 million is moderately better than the results of 2008 (2008: profit of approximately HK\$14.56 million).

Dividend

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 March 2009.

BUSINESS REVIEW

Pharmaceutical and Biotechnology Business

The Group's pharmaceutical and biotechnology business is operated by its non-wholly owned subsidiary, Yunnan Meng Sheng Pharmaceutical Co. Ltd. ("Meng Sheng Pharmaceutical"), which is located in Kunming, Yunnan Province and its associated company, Shenzhen Xinpeng Biotechnology Engineering Co., Limited ("Xinpeng Biotechnology"), a company of which 48% equity interests is held by the Group.

During the period under review, Meng Sheng Pharmaceutical recorded a turnover of approximately HK\$50.42 million, representing a year-on-year increase of 42%, and accounted for 89% of the Group's total turnover. Its flagship product, "Cerebroprotein Hydrolysate for Injection", is well received by market and sales orders of which have sustained its growth. The increase in turnover, coupled with our effective cost control measures, had lowered our operating expense ratio with operating profit margin surged up to 56% from 44% in the previous year. Overall speaking, its business performance is encouraging.

During the period under review, Xinpeng Biotechnology recorded a growth of 15% in its turnover, which was due to the increase of its product sales as a result of the strengthened marketing efforts of the sales force of Xinpeng Biotechnology. However, due to intensifying market competition, product pricing was under pressure. As a result, the profit in Xinpeng Biotechnology decreased to approximately HK\$1.24 million (2008: approximately HK\$6.44 million) during the year under review.

Mining and Energy

Following the Huize County project introduced last year, during the period under review, Yunnan Tianda Mining Ltd., a non-wholly owned subsidiary of the Group, entered into a cooperative exploration and development contract with Yunnan Province Non-Ferrous Metals Geological Exploration Institute and other parties, pursuant to which the parties have reached an agreement in relation to the cooperative exploration and development project for the prospecting of copper and multi-metal mine at Xinqiao, Dongchuan District, Yunnan Province. Pursuant to the cooperative contract, the main purpose of the cooperation is for the registration of rights in respect of the cooperative project and the cooperative exploration and development in the cooperative project.

The entering of the cooperative contract marked a major step of the Group in exploring the mineral resources in Yunnan Province. The Group will be able to benefit from the expertise, experience and professionals of Yunnan Non-Ferrous Metals Exploration Institute in the areas of exploration and development of mineral resources. As such, entering into the cooperative contract will provide the Group with full support of technical expertise and may potentially bring new earnings driver for the Group.

As at 31 March 2009, the Group held two exploration rights in Yunnan, one in Xinqiao, Dongchuan District, Yunnan Province and one in, Huize County (between Shuangshitou and Xijia Village) covering 7.71 sq. km and 45.45 sq. km respectively. During the year under review, the Group had completed the geological survey design of the two projects and carried out field geological survey work. The survey work is currently making good progress.

Printing Business

During the year under review, Yuxi Globe Colour Printing Carton Co., Ltd., of which 18.75% equity interests is held by the Group, adjusted its product mix timely and improved its competitiveness. This resulted in a significant improvement in its operating results, and contributed a dividend income of approximately HK\$3.66 million to the Group. In the previous year, an impairment loss of HK\$0.26 million was provided by the Group for Yuxi Globe Colour Printing Carton Co., Ltd.

On the other hand, Yunnan Xingning Colour Material Printing Co. Ltd., another associated company of the Group of which 25% equity interests is held by the Group, faced pricing pressure for its products and hence its profit decreased to approximately HK\$1.76 million (2008: approximately HK\$3.07 million) during the year under review.

Property Development

The Group's property development business is mainly operated by Zhuhai Tianheng Property Co. Ltd. ("Zhuhai Tianheng Property"), our wholly owned subsidiary in the PRC. The Company holds a piece of land located at the south-western section of Harbour Main Road, Yinkeng, Xiangzhou, Zhuhai (the "Land"). The Land has a total site area of approximately 25,000 square meters. After taking into account of the risk of property industry associated with the prolonged uncertain economy, the Group will consider pulling out from the property industry in Zhuhai should opportunities arise, in order to re-allocate resources to other more profitable business segments.

OUTLOOK

With strong research and development foundation, Meng Sheng Pharmaceutical will continue to explore and develop other new products. Diversified product portfolio and modern production facilities enable Meng Sheng Pharmaceutical to cope with the intense competition in the domestic pharmaceutical market effectively. The Group therefore believes that in the coming year, Meng Sheng Pharmaceutical will maintain its growth momentum similar to this year and will contribute more profit to the Group. Moreover, leveraging on the solid experience of the management team, the operating results of Xinpeng Biotechnology is expected to improve through the research and development in new medicine. The Group is also committed to maintaining its effective cost control measures. In general, the Group believes that the pharmaceutical and biotechnology business will achieve a better performance in the year to come.

With the continuous increase in global demand for mining and energy in the long run, the Company is optimistic about the future market demand and industry prospect of mining and energy. Hence, the Group is committed to actively seeking business opportunities and expanding its business in the exploration, development and investment of mining and energy. On the one hand, the Group has successfully obtained the Certificate of Approval for Exploration of Mineral Resources for two mineral resources projects. The sites are estimated to contain certain deposits of copper, lead and phosphorous, etc. It is in the process of applying more mining rights. On the other hand, it may carry out mergers and acquisitions in China and Australia targeting high quality projects to accelerate its investment in the industry. It is expected that the strategy of focusing on mining and energy development will bring growth momentum and new earnings driver for the Group.

The Group will explore opportunities to expand its printing business through measures like restructuring or shares swap, enabling this business segment to increase its contributions to the Group's results.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity continued to stay in a healthy condition. As at 31 March 2009, the Group had cash and bank balances of approximately HK\$135.38 million (2008: HK\$138.93 million), of which approximately 19% and 28% were denominated in United States dollar and Renminbi respectively with the remaining in Hong Kong dollar. As in the past, the Group has no external borrowings during the year under review. With this strong financial position, the Group has sufficient financial resources to meet its operations and future development needs.

EXCHANGE RATE EXPOSURE

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

CHARGES ON ASSETS

The Group did not have any charge on assets as at 31 March 2009 and 31 March 2008.

EMPLOYEES

As at 31 March 2009, the Group employed approximately 120 employees in Hong Kong and China. The Group remunerates its employees based on market terms, and the qualifications and experience of the employees concerned.

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

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices.

The Company has complied with the code provisions as set out in the Code during the year ended 31 March 2009 apart from the code provisions A.3 and E.1.2.

Code provision A.3 of the Code provides a minimum of three independent non-executive directors as per rule 3.10 of the Listing Rules. Mr. WU Wen Jing, Benjamin resigned as an independent non-executive director on 1 January 2009 and Mr. CHIU Fan Wa was appointed as an independent director on 31 March 2009. The Company has two independent non-executive directors during the period from 1 January 2009 to 30 March 2009.

Code provision E.1.2 of the Code provides that the Chairman of the Board shall attend the annual general meeting of the Company. Mr. Li Suiming, the Chairman of the Board, due to other business commitment, was unable to attend the annual general meeting of the Company held on 27 August 2008.

AUDIT COMMITTEE

The Company has established an audit committee comprising three independent non-executive directors. Terms of reference of the audit committee have been updated in compliance with the Code. The audit committee has reviewed together with the management of the Company the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including review of the financial results of the Group for the year ended 31 March 2009.

By Order of the Board
Yunnan Enterprises Holdings Limited
LI Suiming
Chairman

Hong Kong, 22 July 2009

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

* *For identification purpose only*