雲南實業控股有限公司*

YUNNAN ENTERPRISES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0455)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

The board of directors (the "Board") of Yunnan Enterprises Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2010, together with comparative figures for the corresponding period in 2009. The results have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

		Six months ended 30 September	
		2010	2009
	Notes	***HK$***	*HK$*
		(Unaudited)	(Unaudited)
Revenue	*3*	**51,411,290**	37,825,316
Cost of sales		**(10,438,430)**	(10,344,659)
Gross profit		**40,972,860**	27,480,657
Other income and gains		**1,505,604**	607,645
Distribution and selling expenses		**(360,786)**	(382,806)
Administrative expenses		**(11,524,420)**	(8,033,541)
Other expenses		**(542,718)**	(67,540)
Gain arising from change in fair value of an investment property	*8*	**8,000,000**	1,200,000
Share of results of associates		**1,231,684**	487,557
Profit before tax	*4*	**39,282,224**	21,291,972
Income tax expense	*5*	**(6,217,348)**	(3,579,879)
Profit for the period		**33,064,876**	17,712,093

* *For identification purpose only*

	Notes	Six months ended 30 September 2010 HK$ (Unaudited)	2009 HK$ (Unaudited)
Gain on fair value changes of available-for-sale investment		**497,588**	46,000
Reclassification to profit and loss upon disposal of available-for-sale investment		**(497,588)**	(157,614)
Exchange difference arising on translation		**6,035,104**	3,114,570
Other comprehensive income for the period		**6,035,104**	3,002,956
Total comprehensive income for the period		**39,099,980**	20,715,049
Profit attributable to:			
Owners of the Company		**19,494,525**	8,536,643
Non-controlling interest		**13,570,351**	9,175,450
		33,064,876	17,712,093
Total comprehensive income attributable to:			
Owners of the Company		**24,990,042**	11,419,751
Non-controlling interest		**14,109,938**	9,295,298
		39,099,980	20,715,049
Basic earnings per share	*7*	**1.57 HK cents**	0.91 HK cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010

	Notes	30 September 2010 HK$ (Unaudited)	31 March 2010 HK$ (Audited)
NON-CURRENT ASSETS			
Investment property	*8*	**32,600,000**	24,600,000
Property, plant and equipment	*9*	**23,228,803**	23,806,194
Prepaid lease payments		**3,910,628**	3,815,054
Goodwill		**6,172,383**	6,051,273
Exploration and evaluation assets		**3,479,640**	3,036,545
Interests in an associate/associates		**15,861,673**	14,651,110
Investment in an investee company		**32,465,141**	32,465,141
		117,718,268	108,425,317
CURRENT ASSETS			
Inventories		**5,361,493**	4,169,569
Properties held for development		**123,604,121**	121,178,821
Trade and other receivables	*10*	**4,851,904**	8,805,554
Prepaid lease payments		**91,389**	89,596
Bank deposits		**284,336,531**	78,574,264
Bank balances and cash		**123,018,471**	102,792,689
		541,263,909	315,610,493
Assets classified as held-for-sale		**38,748,702**	37,720,135
		580,012,611	353,330,628

	Notes	**30 September 2010** **HK$** **(Unaudited)**	31 March 2010 HK$ (Audited)
CURRENT LIABILITIES			
Trade and other payables	*11*	**12,163,099**	11,155,654
Government grants – current portion		**342,790**	336,064
Amount due to an associate		**952,136**	896,563
Amount due to ultimate holding company		**122,238**	122,238
Loans from ultimate holding company		**6,059,788**	3,826,000
Tax payable		**4,983,766**	4,085,483
		24,623,817	20,422,002
NET CURRENT ASSETS		**555,388,794**	332,908,626
TOTAL ASSETS LESS CURRENT LIABILITIES		**673,107,062**	441,333,943
NON-CURRENT LIABILITIES			
Government grants – non-current portion		**1,679,900**	1,848,352
Deferred tax liabilities		**1,173,695**	584,840
		2,853,595	2,433,192
		670,253,467	438,900,751
CAPITAL AND RESERVES			
Share capital	*12*	**187,011,816**	93,505,908
Reserves		**438,716,888**	316,374,018
Equity attributable to owners of the Company		**625,728,704**	409,879,926
Non-controlling interest		**44,524,763**	29,020,825
Total equity		**670,253,467**	438,900,751

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company for the year ended 31 March 2010 except for the adoption of certain new standards, amendments and interpretations issued by the HKICPA, which are effective for accounting periods beginning on or after 1 April 2010. The adoption of the new standards, amendments and interpretations had no material effect on the Group's results of operation and financial position.

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

The financial information relating to the financial year ended 31 March 2010 included in the condensed interim financial statements does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 9 July 2010.

3. REVENUE AND SEGMENT INFORMATION

The operating segments of the Group under HKFRS 8 are as follows:

1. Pharmaceutical and biotech products business – manufacture and sale of pharmaceutical products including flagship products "Cerebroprotein Hydrolysate for injection" and other medicine.

2. Exploration of mineral resources – exploration of copper, multi-metal and non-ferrous mineral resources.

Information regarding the above segments is reported below. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8.

Six months ended 30 September 2010 (unaudited)

	Pharmaceutical and biotech products business	**Exploration of mineral resources**	**Unallocated**	**Consolidated**
	HK$	***HK$***	***HK$***	***HK$***
REVENUE – EXTERNAL	**51,411,290**	**–**	**–**	**51,411,290**
SEGMENT RESULTS	**31,490,181**	**(1,296,439)**		**30,193,742**
Other income and gains				**703,656**
Gain arising from change in fair value of an investment property				**8,000,000**
Unallocated expenses				**(7,064,206)**
Share of results of associates				**1,231,684**
Profit for the period				**33,064,876**

Six months ended 30 September 2009 (unaudited)

	Pharmaceutical and biotech products business	Exploration of mineral resources	Unallocated	Consolidated
	HK$	*HK$*	*HK$*	*HK$*
REVENUE – EXTERNAL	37,395,980	–	429,336	37,825,316
SEGMENT RESULTS	21,249,217	(816,384)		20,432,833
Other income and gains				472,598
Gain arising from change in fair value of an investment property				1,200,000
Unallocated expenses				(4,880,895)
Share of results of associates				487,557
Profit for the period				17,712,093

The accounting policies of operating segments are the same as the Group's accounting policies. Segment results represent the profit after taxation earned by/loss after taxation from each segment without allocation of certain income (including dividend income), unallocated head office expenses and share of results of associates. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

There is no material change in total assets of the operating segments of the Group from the amount disclosed in the last annual financial statements.

4. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2010	2009
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**1,546,482**	1,517,973
Amortisation of prepaid lease payments	**45,751**	44,598
Bank interest income	**(692,663)**	(94,185)
Profit on disposal of available-for-sale investment	**(497,588)**	(289,746)

5. INCOME TAX EXPENSE

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

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

	Six months ended 30 September	
	2010	2009
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Current tax		
PRC enterprise income tax	**5,628,493**	3,579,879
Deferred tax	**588,855**	–
	6,217,348	3,579,879

6. DIVIDENDS

The directors resolved not to pay an interim dividend for the six months ended 30 September 2010 (2009: Nil).

7. BASIC EARNINGS PER SHARE

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

	Six months ended 30 September	
	2010	2009
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Profit for the period attributable to the equity holders of the Company	**19,494,525**	8,536,643
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,241,635,828**	935,059,080

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the open offer during the period.

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

8. INVESTMENT PROPERTY

The Group's investment property is held under a long-term lease in Hong Kong for the purpose of earning rentals and is measured by using the fair value model and is classified and accounted for as investment property.

The fair value of investment property at 30 September 2010 has been arrived at on the basis of valuation using the direct comparison method by reference to recent market prices for similar properties in the same locations and conditions by Vigers Appraisal and Consulting Limited, an independent professional valuer. The gain arising from change in fair value amounting to HK$8,000,000 (six months ended 30 September 2009: HK$1,200,000), has been credited to the statement of comprehensive income for the period.

9. PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment for the period amounted to a total of HK$515,636 (six months ended 30 September 2009: HK$1,935,566).

10. TRADE AND OTHER RECEIVABLES

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

The following is an aged analysis of the Group's trade receivables at the end of the reporting period:

	30 September 2010	31 March 2010
	HK$	*HK$*
	(Unaudited)	(Audited)
Trade receivables		
Within 60 days	**–**	256,092
Over 60 days	**8,744**	11,307
	8,744	267,399
Dividends receivable from an investee company	**–**	4,440,144
Other receivables, deposits and prepayments	**4,843,160**	4,098,011
Total trade and other receivables	**4,851,904**	8,805,554

11. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables at the end of the reporting period:

	30 September 2010	31 March 2010
	HK$	*HK$*
	(Unaudited)	(Audited)
Trade payables		
Within 60 days	**2,489,753**	1,198,664
61 – 90 days	**88,063**	190,352
Over 90 days	**343,260**	199,085
	2,921,076	1,588,101
Deposits received from customers	**4,511,483**	4,768,359
Other payables and accruals	**4,730,540**	4,799,194
Total trade and other payables	**12,163,099**	11,155,654

12. SHARE CAPITAL

	Number of shares	Amount
		HK$
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 April 2010	2,000,000,000	200,000,000
Increase of authorised share capital *(note)*	2,000,000,000	200,000,000
At 30 September 2010	4,000,000,000	400,000,000
Issued and fully paid:		
At 1 April 2010	935,059,080	93,505,908
Open offer *(note)*	935,059,080	93,505,908
At 30 September 2010	1,870,118,160	187,011,816

Notes:

Pursuant to resolutions passed at the extraordinary general meeting held on 13 July 2010, the share capital of the Company was changed as follows:

- The authorised share capital of the Company was increased from HK$200,000,000 to HK$400,000,000 by the creation of 2,000,000,000 additional ordinary shares of HK$0.10 each.
- The issue by way of an open offer of 935,059,080 new ordinary shares of HK$0.10 each of the Company at HK$0.21 per share on the basis of one offer share for every existing share held was approved.

MANAGEMENT DISCUSSION & ANALYSIS

Financial Review

For the six months ended 30 September 2010 ("1H-FY2011"), the Group recorded a revenue of approximately HK$51.4 million, representing an increase of 36% as compared to approximately HK$37.8 million for the six months ended 30 September 2009 ("1H-FY2010"). The increase in revenue was mainly attributable to the significant increase in sales of pharmaceutical products during the period under review.

Based on a valuation carried out by a qualified professional valuer, the fair value of the Group's investment property as at 30 September 2010 was increased to HK$32.6 million. The increase in fair value resulted in a gain of HK$8.0 million for 1H-FY2011 versus a gain of HK$1.2 million for 1H-FY2010.

Gains of associated companies attributed to the Group during 1H-FY2011 amounted to approximately HK$1.2 million, which was mainly attributable to the improved performance of Yunnan Huaning Xingning Colour Printing Co. Ltd. ("Huaning Printing") in which the Company held 25% equity interests. Share of results of associates amounted to approximately HK$0.5 million for 1H-FY2010.

Taking into account the income tax expense and minority interests, the Group recorded a profit attributable to shareholders of the Company of approximately HK$19.5 million for 1H-FY2011 versus HK$8.5 million for 1H-FY2010, representing an increase of 128%. Earnings per share for 1H-FY2011 was HK1.57 cents versus HK0.91 cent for 1H-FY2010.

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.

During 1H-FY2011, Meng Sheng Pharmaceutical recorded a turnover of approximately HK$51.4 million, representing an increase of approximately 37%. Demand for its flagship product, namely Cerebroprotein Hydrolysate for Injection, remained strong which fuelled the growth in sales volume and selling price. Sales of other major products, such as Vinpocetine for Injection and Aceglutamide for Injection also recorded significant growth.

The increase in turnover, coupled with effective cost control measures, increased the operating profit margin to 74% versus 65% for 1H-FY2010. The performance of Meng Sheng Pharmaceutical has been encouraging in 1H-FY2011.

As announced on 30 March 2010, the Company entered into an agreement to dispose its entire 48% interest in Shenzhen Xinpeng Biotechnology Engineering Co., Limited ("Xinpeng Biotechnology"). The disposal was completed on 19 November 2010.

Mineral and energy

The Group's mining and energy business is operated by its non-wholly owned subsidiaries, Yunnan Tianda Mining Ltd. ("Yunnan Tianda Mining") and Gansu Tianda Mining Ltd. ("Gansu Tianda Mining").

As at 30 September 2010, Yunnan Tianda Mining holds four exploration rights in Yunnan Province.

Dongchuan District

The tenement is located in Tangdan Town (湯丹鎮) with a site area of approximately 7.7 sq. km. Yunnan Tianda Mining, in which the Group holds 51% interests, was granted the right to explore lead, zinc and other metal minerals in the tenement. Preliminary survey reported ores of lead, zinc, copper, iron and phosphor; and is undergoing general geological survey. Prospective buyers have approached Yunnan Tianda Mining to acquire the exploration right on this tenement.

Huize County

The tenement is located in Shuangshitou (雙石頭) with a site area of approximately 45.5 sq. km. Yunnan Tianda Mining was granted the right to explore copper, lead and zinc minerals in the tenement. Preliminary survey reported locations with potential ore deposits. Geological Exploration Fund of Yunnan Province has agreed to invest in this project.

Weixi County

The tenement is located in Diqing Tibetan Autonomous Prefecture in Yunnan Province（雲南省迪慶藏族自治州）with a site area of approximately 10.3 sq. km. Yunnan Tianda Mining was granted the right in the year ended 31 March 2010 to explore lead and zinc minerals in the tenement. Field reconnaissance reported good prospects for exploring lead and zinc ores in the tenement. Preliminary survey is underway.

Deqin County

The Department of Land and Resources of Yunnan Province accepted the application from Yunnan Tianda Mining for the right to explore multi-metal ores in Lirenka of Deqin County. The tenement has a site area of approximately 36.6 sq. km. The preliminary investigation performed by geological experts reported good prospects for exploring metal ores including lead and zinc. Field reconnaissance has been completed with the exploration plan having been examined and approved by specialists. Yunnan Tianda Mining will commence general geological survey once the Certificate of Approval for Exploration of Mineral Resources is being granted.

Currently, Gansu Tianda Mining holds 60% equity interest in Gansu Maqu Tianda Gold Mining Ltd. Gansu Maqu Tianda Gold Mining Ltd. was established in 2010 and is owned as to 60% by Gansu Tianda Mining. Its principal business includes exploration, exploitation, smelting and processing of gold and other minerals. The company undertakes a cooperative project for gold mine exploration in Maqu County, Gansu Province. The project, which has been approved by government, covers an area of around 23 sq. km. and is adjacent to Dashui Gold Mine, the fourth largest gold mine in China, and in the direction where the identified ores are extended.

Printing Business

Yuxi Globe Colour Printing Carton Co., Ltd. ("Yuxi Globe Printing"), of which 18.75% equity interests is held by the Group, adjusted its product mix and improved its competitiveness in the last financial year. The performance of Yuxi Globe Printing remained steady during 1H-FY2011.

On the other hand, Huaning Printing recorded a growth in revenue and gross profit margin and accordingly the attributable profit to the Group was increased to approximately RMB0.8 million for 1H-FY2011 versus RMB0.5 million for 1H-FY2010.

Property Development

It was approved, inter alia, at the extraordinary general meeting held on 13 July 2010, the disposal of the land owned by the Group in Zhuhai to Tianda Group Limited. The disposal was completed on 1 October 2010. Details of the disposal were set out in the circular dated 21 June 2010.

OUTLOOK

Meng Sheng Pharmaceutical will continue to capitalize on its core strengths, including research and development capability, firm presence and niche in cardiovascular medicines, expanding sales network and effective cost controls, to further the expansion of business and product portfolio. The Group believes that the pharmaceutical and biotechnology business will continue to demonstrate its growth momentum during the rest of this year.

The Group made progress in the exploration of its existing mines during 1H-FY2011 and is confident that further progress will be achieved in accordance with its business plans. On the other hand, the Group will continue to identify promising investment opportunities, including gold mine projects, and shall announce on any significant developments.

The continual economic growth in China and expanding domestic consumption will benefit the Group's packaging and printing business. Moreover, the acquisition of Cheng Cheng Printing, which was completed in early October, will provide revenue and profit contributions to and become another key profit driver for the Group.

The property market in mainland China is undergoing an adjustment. However, with the continual economic growth and persistent improvements in domestic affluence in China, the development prospects for property market are still optimistic in the long term. The Group will closely monitor the development of the economy and property market in China. With stringent risk control as the essential prerequisite, the Group will adopt a prudent but proactive approach in identifying and evaluating related investment projects and generate better return to the Shareholders.

The Group is confident about its business performances in the second half of this year.

Liquidity and financial resources

The Group's liquidity continued to stay in a healthy position. As at 30 September 2010, the Group had cash and bank balances of approximately HK$407.4 million (31 March 2010: HK$181.4 million). Approximately 8% and 34% of the total cash and bank balances were denominated in United States dollar and Renminbi respectively with the remaining in Hong Kong dollar. As in the past, the Group has no external borrowings during the period under review. With this strong financial position, the Group has sufficient financial resources to meet its operation 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 current stage.

Charges on assets

The Group did not have any charges on assets as at 30 September 2010.

Employment and remuneration policy

As at 30 September 2010, the Group employed approximately 130 employees in Hong Kong and Mainland China. The Group remunerates its employees based on market terms, and the qualifications and experience of the employees concerned.

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

During the six months ended 30 September 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has met the code provisions of the Code on Corporate Governance Practices ("the Code") as set out in the Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") during the six months period ended 30 September 2010 except deviation as set out below. Code provision E.1.2 of the Code which provides that the Chairman of the Board shall attend the annual general meeting of the Company. As Mr. FANG Wen Quan was in overseas for another important business commitment, he was unable to attend the annual general meeting of the Company held on 27 August 2010 in Hong Kong. This constitutes a deviation from the code provision E.1.2 of the Code.

Mr. FANG Wen Quan is the managing director and the Chairman of the Board of the Company. Pursuant to Code provision A.2.1, the roles of Chairman and chief executive officer of an issuer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Having considered the current business operation and the size of the Group, the Board is of the view that Mr. FANG Wen Quan acting as both the Chairman of the Board and as the managing director of the Group is acceptable and in the best interest of the Group. The Board will review this situation periodically.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors ("the Model Code") of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all the directors of the Company, they all confirm that they have compiled with the Model Code throughout the six months ended 30 September 2010.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive directors. The audit committee has reviewed together with the management of the Company the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including review of the interim results for the six months ended 30 September 2010.

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

Hong Kong, 22 November 2010

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