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 2011

HIGHLIGHTS

	2011	2010	
	HK$	*HK$*	*Increase*
Turnover	**206,346,201**	82,951,039	148.8%
Profit attributable to Owners of the Company	**67,426,465**	21,287,092	216.7%
Basic earnings per share	**HK cents 4.34**	HK cents 2.28	90.4%
Final dividend per share	**HK cent 0.72**	HK cent 0.45	60.0%
Special dividend per share	**HK cent 0.66**	—	N/A

The board of directors of Yunnan Enterprises Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2011, together with comparative figures for the previous year, as follows:

* *For identification purpose only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	NOTES	**2011** **HK$**	2010 HK$
Revenue	4	**206,346,201**	82,951,039
Cost of sales		**(85,906,213)**	(19,569,250)
Gross profit		**120,439,988**	63,381,789
Other income and gains		**9,765,524**	3,690,549
Distribution and selling expenses		**(8,421,270)**	(713,277)
Administrative expenses		**(30,326,666)**	(19,613,780)
Other expenses		**(5,933,117)**	(267,555)
Gain on disposal of subsidiaries		**4,500,845**	–
Gain on disposal of an associate		**15,748,002**	–
Gain arising from change in fair value of an investment property		**12,400,000**	3,800,000
Share of results of an associate/associates		**1,981,483**	658,254
Profit before tax		**120,154,789**	50,935,980
Income tax expense	5	**(18,718,078)**	(10,244,333)
Profit for the year		**101,436,711**	40,691,647
Other comprehensive income			
Exchange difference on translation			
Exchange difference arising during the year		**21,593,228**	1,080,629
Reclassification upon disposal of subsidiaries		**(4,500,845)**	–
Reclassification upon disposal of an associate		**(8,362,325)**	–
Available-for-sale investments – debt instruments			
Fair value gain on available-for-sale investments		**–**	595,066
Reclassification upon disposal of available-for-sale investments – debt instruments		**–**	(752,680)
Other comprehensive income for the year		**8,730,058**	923,015
Total comprehensive income for the year		**110,166,769**	41,614,662
Profit for the year attributable to:			
Owners of the Company		**67,426,465**	21,287,092
Non-controlling interests		**34,010,246**	19,404,555
		101,436,711	40,691,647
Total comprehensive income for the year attributable to:			
Owners of the Company		**71,080,130**	22,063,799
Non-controlling interests		**39,086,639**	19,550,863
		110,166,769	41,614,662
		HK cents	*HK cents*
Basic earnings per share	6	**4.34**	2.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2011

	NOTES	2011 HK$	2010 HK$
NON-CURRENT ASSETS			
Investment property		**–**	24,600,000
Property, plant and equipment		**88,637,443**	23,806,194
Prepaid lease payments		**11,169,904**	3,815,054
Goodwill		**57,061,430**	6,051,273
Intangible assets		**67,426,947**	–
Exploration and evaluation assets		**3,961,891**	3,036,545
Deposit for the acquisition of property, plant and equipment		**3,030,586**	–
Interest in an associate		**15,518,244**	14,651,110
Available-for-sale investments – investment in an investee company		**32,465,141**	32,465,141
		279,271,586	108,425,317
CURRENT ASSETS			
Inventories		**87,351,019**	4,169,569
Properties held for development		**–**	121,178,821
Trade and other receivables	*7*	**17,506,589**	8,805,554
Prepaid lease payments		**146,231**	89,596
Available-for-sale investments – debt instruments		**1,138,133**	–
Amounts due from related companies	*8*	**48,413,064**	–
Bank deposits		**414,209,717**	78,574,264
Bank balances and cash		**142,808,417**	102,792,689
		711,573,170	315,610,493
Assets classified as held-for-sale		**–**	37,720,135
		711,573,170	353,330,628

	NOTES	2011 HK$	2010 HK$
CURRENT LIABILITIES			
Trade and other payables	*9*	**65,069,579**	11,155,654
Government grants - current portion		**353,420**	336,064
Amount due to an associate		**–**	896,563
Amounts due to related companies	*8*	**4,746,690**	–
Amount due to ultimate holding company		**11,228,445**	122,238
Loans from ultimate holding company		**6,059,788**	3,826,000
Dividend payable to non-controlling shareholders		**28,889,133**	–
Tax payable		**8,071,024**	4,085,483
		124,418,079	20,422,002
NET CURRENT ASSETS		**587,155,091**	332,908,626
TOTAL ASSETS LESS CURRENT LIABILITIES		**866,426,677**	441,333,943
NON-CURRENT LIABILITIES			
Government grants – non-current portion		**1,590,392**	1,848,352
Deferred tax liabilities		**22,604,006**	584,840
		24,194,398	2,433,192
		842,232,279	438,900,751
CAPITAL AND RESERVES			
Share capital		**187,011,816**	93,505,908
Reserves		**489,284,628**	316,374,018
Equity attributable to owners of the Company		**676,296,444**	409,879,926
Non-controlling interests		**165,935,835**	29,020,825
		842,232,279	438,900,751

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 ("SEHK"). Its ultimate holding company is Tianda Group Limited ("Tianda"), a private limited company incorporated in Hong Kong.

The functional currency of the Company is Renminbi ("RMB"). As the shares of the Company are listed in the SEHK, for the convenience of the financial statements users, the results and financial position of the Group are expressed in Hong Kong dollars, the presentation currency for the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 New and revised Standards, Amendments and Interpretations applied in current year

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("New and Revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations for which the acquisition date is on or after 1 April 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

HKFRS 3 (as revised in 2008) Business Combinations

- HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. In the current year, in accounting for the acquisition of Cheng Cheng Printing Limited ("Cheng Cheng BVI") and its subsidiaries ("collectively referred to as Cheng Cheng Group"), the Group has elected to measure the non-controlling interests at the non-controlling interests' share of recognised identifiable net assets of the acquiree at the date of acquisition.

- HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

In the current year, the application of HKFRS 3 (as revised in 2008) has affected the acquisition of subsidiaries as follows:

Consolidated statement of financial position

	HK$
Decrease in goodwill recognised as a result of the application of HKFRS 3 (as revised in 2008)	1,017,824

Consolidated statement of comprehensive income

	HK$
Acquisition-related costs expensed when incurred	1,017,824
Decrease in profit for the year as a result of the application of HKFRS 3 (as revised in 2008)	1,017,824

Impact on basic earnings per share

	HK cents
Figure before adjustment	4.41
Adjustment arising from the change in the Group's accounting policies in relation to business combination	(0.07)
Figure after adjustment	4.34

2.2 New and revised Standards, Amendments and Interpretations issued but not yet effective

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 issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investment in Associates and Joint Ventures[4]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in October 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 will be adopted in the Group's and the Company's consolidated financial statements for the financial year ending 31 March 2014. Based on the Group’s financial assets and financial liabilities as at 31 March 2011, application of the new Standard will have an impact on the classification and measurement of the Group’s available-for-sale investments. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review is completed.

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 consolidated financial statements.

3. BASIS OF PREPARATION

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

4. REVENUE AND SEGMENT INFORMATION

Information reported to the managing director of the Company, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on the types of goods delivered. During the year ended 31 March 2011, the Group has acquired new subsidiaries. Consequently, a new segment, packaging and printing business has been included in the segment reporting.

The operating and reportable segments of the Group are:

1. Pharmaceutical and biotechnology business – manufacture and sale of pharmaceutical products including flagship products “Cerebroprotein Hydrolysate for injection” and other medicine.

2. Mineral resources business – exploration of copper, lead, zinc and non-ferrous mineral resources.

3. Packaging and printing business – sales of packaging and printing products, including cigarette related products and non-cigarette related products.

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by segment.

For the year ended 31 March 2011

	Pharmaceutical and biotechnology business *HK$*	Mineral resources business *HK$*	Packaging and printing business *HK$*	Segment total *HK$*	Unallocated *HK$*	Consolidated *HK$*
REVENUE - EXTERNAL	**103,660,698**	**–**	**97,055,609**	**200,716,307**	**5,629,894**	**206,346,201**
SEGMENT PROFIT (LOSS)	**59,858,436**	**(3,177,244)**	**16,793,888**	**73,475,080**		**73,475,080**
Other income and gains						**1,338,369**
Gain arising from change in fair value of an investment property						**12,400,000**
Gain on disposal of an associate						**15,748,002**
Gain on disposal of subsidiaries						**4,500,845**
Unallocated expenses						**(8,007,068)**
Share of result of an associate						**1,981,483**
Profit for the year						**101,436,711**

For the year ended 31 March 2010

	Pharmaceutical and biotechnology business *HK$*	Mineral resources business *HK$*	Segment total *HK$*	Unallocated *HK$*	Consolidated *HK$*
REVENUE - EXTERNAL	77,473,929	–	77,473,929	5,477,110	82,951,039
SEGMENT PROFIT (LOSS)	43,493,459	(1,747,400)	41,746,059		41,746,059
Other income and gains					667,623
Gain arising from change in fair value of an investment property					3,800,000
Unallocated expenses					(6,180,289)
Share of results of associates					658,254
Profit for the year					40,691,647

Segment revenue excludes dividend income and office building rental. Segment profit (loss) represents the profit after taxation earned by/loss after taxation from each segment without allocation of central administration costs, directors' salaries, and certain other income and gains, gain arising from change in fair value of an investment property and share of profit of associates. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by segment:

	2011	2010
	HK$	*HK$*
Segment assets		
Packaging and printing business	**449,677,504**	–
Pharmaceutical and biotechnology business	**162,945,340**	96,592,490
Mineral resources business	**36,655,853**	34,463,624
Total segment assets	**649,278,697**	131,056,114
Assets classified as held-for-sale	**–**	37,720,135
Unallocated assets		
Investment property	**–**	24,600,000
Property, plant and equipment	**778,035**	1,060,645
Interest in an associate	**15,518,244**	14,651,110
Available-for-sale investments		
– investment in an investee company	**32,465,141**	32,465,141
Properties held for development	**–**	121,178,821
Other receivables	**8,872,699**	6,630,257
Bank deposits	**278,938,171**	68,282,503
Bank balances and cash	**4,993,769**	24,111,219
Consolidated assets	**990,844,756**	461,755,945
Segment liabilities		
Packaging and printing business	**124,154,398**	–
Pharmaceutical and biotechnology business	**11,803,050**	16,261,119
Mineral resources business	**6,998,474**	4,018,013
Total segment liabilities	**142,955,922**	20,279,132
Unallocated liabilities		
Other payables	**5,656,555**	2,576,062
Consolidated liabilities	**148,612,477**	22,855,194

Segment assets and liabilities represent assets and liabilities of respective segments.

(c) Geographical information

	Revenue from external customers		Non-current assets	
	2011	2010	**2011**	2010
	HK$	*HK$*	***HK$***	*HK$*
The PRC (country of domicile)	**200,716,307**	77,473,929	**228,412,686**	50,299,532
Hong Kong	**5,629,894**	5,477,110	**16,296,279**	25,660,644
	206,346,201	82,951,039	**244,708,965**	75,960,176

Note: Non-current assets excluded financial instruments.

(d) Revenue from major products and services

	2011	2010
	HK$	*HK$*
Pharmaceutical and biotechnology products		
– Cerebroprotein Hydrolysate for injection	**92,121,136**	70,020,882
– Vinpocetine for injection and Aceglutamide for injection and others	**11,539,562**	7,453,047
	103,660,698	77,473,929
Packaging and printing products		
– cigarette related products	**88,491,092**	–
– non-cigarette related products	**8,564,517**	–
	97,055,609	–
Dividend income	**5,629,894**	4,673,836
Office building rental	**–**	803,274
	206,346,201	82,951,039

5. INCOME TAX EXPENSE

	2011 *HK$*	2010 *HK$*
Current tax		
PRC enterprise income tax	**15,035,976**	7,544,517
Withholding tax	**1,241,285**	2,114,976
Overprovision in prior years		
PRC enterprise income tax	**(542,963)**	–
Deferred tax:		
Current year	**2,983,780**	584,840
	18,718,078	10,244,333

The Company was incorporated in the Cayman Islands and is not subject to any income tax.

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

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is unified to 25% from 1 January 2008 onwards.

Yunnan Meng Sheng Pharmaceutical Co., Limited ("Meng Sheng Pharmaceutical"), a subsidiary of the Group, is established in the Kunming economic open zone. Pursuant to the relevant laws and regulations in the PRC, Meng Sheng Pharmaceutical was entitled to a preferential Enterprise Income Tax rate of 15% on an annual basis. The tax rate applicable is 15% for both years.

Zhuhai Special Economic Zone Cheng Cheng Printing Co., Ltd. ("Cheng Cheng"), a newly acquired subsidiary of the Group, was recognised as a High-Tech Enterprise and is subject to preferential tax rate of 15% from November 2009 to November 2012.

6. BASIC EARNINGS PER SHARE

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

	2011	2010
	HK$	*HK$*
Earnings		
Earnings for the purpose of basic earnings per share	**67,426,465**	21,287,092
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,555,016,059**	935,059,080

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

7. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$	*HK$*
Trade receivables	**5,118,559**	267,399
Dividends receivable from an investee company and an associate (note)	**6,869,417**	4,440,144
Other receivables, deposits and prepayments	**5,518,613**	4,098,011
Total trade and other receivables	**17,506,589**	8,805,554

Note: Amount being unsecured, non-interest bearing and repayable on demand.

The Group allows a credit period ranging from 30 to 60 days to certain number of its trade customers. The aging analysis of trade receivables is presented based on the invoice date at the end of the reporting period:

	2011	2010
	HK$	*HK$*
0 - 60 days	**3,410,093**	256,092
Over 60 days	**1,708,466**	11,307
	5,118,559	267,399

8. AMOUNT DUE FROM (TO) RELATED COMPANIES

Amounts represent balances with related companies, which are either subsidiary or jointly-controlled entity of the non-controlling shareholder of a subsidiary of the Company.

As at 31 March 2011, amounts of HK$23,374,128 (2010: nil) included in the Group's amounts due from related companies which are trading in nature, arising from sales of packaging and printing products. The following is an aged analysis of the amount due from related parties presented based on the invoice date at the end of the reporting date:

	2011	2010
	HK$	*HK$*
0 - 60 days	**23,221,900**	–
Over 60 days	**152,228**	–
	23,374,128	–

For trade related amounts due from related companies, the amounts are unsecured, non-interest bearing and with an average credit term of 60 days. The amount of HK$152,228 (2010: Nil) at 31 March 2011 which are past due as at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amount is still considered recoverable based on historical experience.

As at 31 March 2011, the Group's amounts due to related companies of HK$4,746,690 (2010: Nil) are trading in nature, arising from purchase of materials for packaging and printing products. The whole amount is aged within 60 days. The amounts are unsecured, non-interest bearing and with credit term ranged from 30 days to 120 days.

For non-trade related amounts due from (to) related companies, the amounts are unsecured, non-interest bearing and repayable on demand.

9. TRADE AND OTHER PAYABLES

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

	2011	2010
	HK$	*HK$*
Trade payables (note)		
Within 60 days	**27,088,378**	1,198,664
61 - 90 days	**2,012,524**	190,352
Over 90 days	**4,183,287**	199,085
	33,284,189	1,588,101
Note payables		
Within 60 days	**10,007,598**	–
61 - 90 days	**14,331,246**	–
	24,338,844	–
Deposits received from customers	**1,472,872**	4,768,359
Other payables and accruals	**5,973,674**	4,799,194
Total trade and other payables	**65,069,579**	11,155,654

Note: The aging analysis of trade payables presented based on the invoice date at the end of the reporting period.

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

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2011 as set out in the Preliminary Announcement have been agreed by the Group's auditor, 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.

FINANCIAL REVIEW

For the year ended 31 March 2011 ("FY2011"), the Group recorded a revenue of approximately HK$206.3 million versus HK$83.0 million for the year ended 31 March 2010 ("FY2010"), representing an increase of approximately 148.8%. Gross profit for FY2011 amounted to approximately HK$120.4 million and represented an increase of 90.0% as compared to HK$63.4 million for FY2010. The increase in revenue and gross profit were attributable to the significant increase in revenue from the pharmaceutical and biotechnology business during the year and the Group started to consolidate the operation of Zhuhai Special Economic Zone Cheng Cheng Printing Co., Ltd. ("Cheng Cheng Printing") from 1 October 2010 onward upon completion of its acquisition.

Upon consolidation of the operation of Cheng Cheng Printing during the year, distribution and selling expenses, administrative expenses and other expenses increased accordingly in FY2011.

During FY2011, the Group completed the disposals of a land at Zhuhai, its entire 48% interest in Shenzhen Xinpeng Biotechnology Engineering Co., Limited and an investment property in Hong Kong. The gains on these disposals were approximately HK$4.5 million, HK$15.7 million and HK$12.4 million respectively.

Profit attributable to shareholders of the Company for FY2011 amounted to HK$67.4 million versus HK$21.3 million for FY2010 and earning per share for FY2011 was approximately HK4.34 cents (FY2010: approximately HK2.28 cents), representing an increase of approximately 90.4%.

BUSINESS REVIEW

Pharmaceutical and Biotechnology Business

For FY2011, the Group's pharmaceutical and biotechnology business was carried out through its 55% owned subsidiary, Yunnan Meng Sheng Pharmaceutical Co., Ltd. ("Meng Sheng Pharmaceutical"), which is located in Kunming, Yunnan Province.

Meng Sheng Pharmaceutical

During FY2011, Meng Sheng Pharmaceutical recorded a revenue of approximately HK$103.7 million, representing an increase of 33.8% over that of HK$77.5 million for FY2010. Gross profit margin increased from 74.7% for FY2010 to 79.6% for FY2011 while net profit for FY2011 amounted to approximately HK$62.4 million, representing an increase of 38.6% over that of HK$45.0 million for FY2010. Net profit margin increased from 58.1% for FY2010 to 60.2% for FY2011.

The increase in revenue was attributable to both an increase in quantities sold of almost all types of products and an increase in the unit selling price of our flagship product, Cerebroprotein Hydrolysate for Injection. Other products such as Aceglutamide for Injection, Amoxicillin Capsules, Ampicillin Capsules and Vinpocetine for Injection all have their revenue for FY2011 increased as compared to FY2010. Besides revenue, cost control measures were effectively implemented throughout FY2011, bringing the increase in both the gross profit margin and the net profit margin for FY2011.

Shenzhen Xinpeng Biotechnology Engineering Co., Limited ("Xinpeng Biotechnology")

In order to enhance the Group's overall return on equity and after taking into account the prospects of Xinpeng Biotechnology, the Company, through its wholly-owned subsidiary, entered into an agreement to dispose of its entire 48% interest in Xinpeng Biotechnology on 30 March 2010. The disposal was completed on 19 November 2010 and the Group recorded a gain on disposal of approximately HK$15.7 million.

Pharmaceutical and biotechnology business remained the Group's important revenue and profit driver for FY2011. The increase in the volume of sales, the increase in the unit selling price of Cerebroprotein Hydrolysate for Injection and the effective implementation of cost control measures have all contributed to the further improvements in the operating and financial results of the Group for FY2011 when compared to FY2010. The Group will continue to devote its resources towards the further development and expansion of its pharmaceutical and biotechnology business.

Mineral Resources Business

The Group's mineral resources business is operated by its two non-wholly owned subsidiaries, namely Yunnan Tianda Mining Ltd. ("Yunnan Tianda Mining") and Gansu Tianda Mining Ltd. ("Gansu Tianda Mining"), in both of which the Group has an effective equity interest of 51%.

Yunnan Tianda Mining

As at 31 March 2011, Yunnan Tianda Mining operated exploration projects at each of Dongchuan District, Huize County, Weixi County and Deqin County in Yunnan Province and held exploration rights in the first three projects. Below is a summary of information on these projects.

Tenement	Site Area (sq. km.)	Potential Ore Deposits	Stage in Progress
Dongchuan District	7.7	Copper, Lead, Zinc, Iron, Phosphorus	General geological survey
Huize County	45.5	Copper, Lead, Zinc	General geological survey
Weixi County	10.3	Lead, Zinc	General geological survey
Deqin County	36.6	Lead, Zinc	Application for exploration rights in process

Gansu Tianda Mining

Currently, Gansu Tianda Mining has 60% equity interest in Gansu Maqu Tianda Gold Mining Ltd., a joint venture established in 2010. The joint venture will undertake a project for gold mine exploration in Maqu County, Gansu Province. This project covers an area of approximately 23 sq. km. and is adjacent to Dashui Gold Mine, the fourth largest gold mine in China.

During FY2011, all the Group's mineral resources projects had not yet been generating revenue. The Group will continue to adopt its active and cautious approach to manage these projects.

Packaging and Printing Business

On 5 May 2010, the Company entered into an agreement with Tianda Group Limited ("Tianda Group") pursuant to which, amongst other things, the Group would acquire a 60% equity interest in Cheng Cheng Printing from Tianda Group. Such acquisition was completed on 1 October 2010 and Cheng Cheng Printing has become a 60% owned subsidiary of the Company. All together, the Group has investments in three printing companies, namely, Cheng Cheng Printing, Yuxi Globe Colour Printing Carton Co., Ltd. ("Globe Printing") and Yunnan Huaning Xingning Colour Material Printing Co., Ltd. ("Xingning Printing"). All these companies are principally engaged in the printing of the packs for cigarettes and apart from that, Cheng Cheng Printing is also engaged in the printing of other consumer products.

Cheng Cheng Printing

The Group starts to consolidate the results of Cheng Cheng Printing from 1 October 2010 onward upon completion of its acquisition. Revenue and profit for the period (including non-controlling interests) included in the Group's consolidated statement of comprehensive income amounted to approximately HK$97.1 million and HK$17.8 million respectively for FY2011.

Globe Printing

Globe Printing, in which the Group holds an equity interest of 18.75%, reported a revenue and net profit of approximately RMB125.9 million and RMB26.7 million respectively for the year ended 31 December 2010. For the year ended 31 December 2009, the revenue and net profit were RMB114.9 million and RMB23.3 million respectively. The Group recorded dividend income of approximately HK$5.6 million for FY2011 versus HK$4.7 million for FY2010.

Xingning Printing

Xingning Printing, an associate in which the Group has an equity interest of 25%, reported a revenue and net profit of approximately RMB44.4 million and RMB6.8 million respectively for FY2011. These compare to revenue and net profit of approximately RMB35.1 million and RMB3.9 million for FY2010 and represent an increase of 26.5% and 72.0% respectively. Income attributable to the Group amounted to approximately HK$2.0 million for FY2011 versus HK$1.2 million for FY2010. Both revenue and net profit of Xingning Printing grew for FY2011 as a result of increasing consumer spending in China.

The Group's packaging and printing business has been profitable in recent years and has been generating stable income for the development of the Group. Further, the management envisages that the Group's packaging and printing business could further support the growth of the Group's expanding pharmaceutical and biotechnology business by the provision of quality packaging, printing and other relevant ancillary services to the latter's operation in the future.

Other Investments

Previously, the Group held a piece of land at Xiangzhou, Zhuhai (the "Land") and an investment property which was an office premise in Sheung Wan District, Hong Kong. In view of the tightening governmental policies in China and property development and investment has not been the core business of the Group, the Group entered into the assets swap transaction with Tianda Group on 5 May 2010 to dispose of the Land to, and to acquire 60% interest of Cheng Cheng Printing from, Tianda Group. The disposal of the Land was completed in FY2011 and resulted in a gain of approximately HK$4.5 million.

On 18 November 2010, the Group also disposed of the investment property in Sheung Wan District to an independent third party at a consideration of HK$37.0 million. The carrying value of the property as at 31 March 2010 was HK$24.6 million and the gain on disposal recognised for FY2011 amounted to HK$12.4 million.

OUTLOOK

Pharmaceutical and biotechnology business has been the industry in which the Group focused its resources and development in recent years. The continuous success of Meng Sheng Pharmaceutical in achieving significant growth both in revenue and net profit has been encouraging. The management believes that the pharmaceutical sector in China will continue to grow rapidly in the coming years, being fuelled by the following favourable factors: (i) the rapid growth of China's GNP and its individual's disposable income; (ii) its aging population and the increase in average life expectancy; (iii) increased awareness in health; and (iv) the implementation of healthcare reforms as well as increase in government spending on various healthcare programs. Being the market leader both in the market share and manufacture process in its flagship product, Cerebroprotein Hydrolysate for Injection, the Group is confident that

Meng Sheng Pharmaceutical will benefit from the growth of the pharmaceutical sector in China. In addition, its other pharmaceutical products have also shown considerable growth in the sales volume and profit contribution and the Group believes that such trend will be kept. Going forward, Meng Sheng Pharmaceutical will continue its efforts in the research and development of new products, improvement in the production flow and expansion of its sales and distribution network. Regarding the latter, it will be looking for both expansion of sales in the China domestic market as well as exploration in overseas markets. Cerebroprotein Hydrolysate for Injection has recently gained the permission for sale in India and the Group will be actively pursuing its sales there. Moreover, the Group will start its application for registration in Russia in this year with a view to realising sales there soon.

In order to capitalize opportunities of the pharmaceutical sector of China in the coming years, apart from the organic growth of Meng Sheng Pharmaceutical, the Group will also be directing its resources on further expansion of its pharmaceutical and biotechnology business through acquisitions. The Group will utilize its experience and knowledge on this sector in seeking potential opportunities prudently.

For mineral resources business, consistent with previous years, the Group will continue to adopt an active and cautious approach in managing the projects on hand.

With the completion of acquisition of Cheng Cheng Printing in October 2010, the Group's income base from its packaging and printing business has been enhanced. Cheng Cheng Printing is one of the largest printing enterprises in Zhuhai and is equipped with world-class production machinery imported overseas. Apart from serving orders from cigarettes producers, its customer base includes suppliers in the areas of pharmacy and other consumer products. With the continuous growth in the consumer market in China, the Group is confident that its packaging and printing business will benefit. This line of business will continue to provide a stable source of income to the Group for its development on one hand, and could provide ancillary services to the further expansion and development of the Group's pharmaceutical and biotechnology business on the other hand.

The pharmaceutical industry has been included as one of the industries that will be supported by the Chinese Government in its Twelfth Five-Year Plan. With the continuous improvements in the operating results over the past three financial years and efforts to streamline its business model, the Group is now on a much stronger foundation for grasping opportunities and facing challenges offered by the pharmaceutical industry in China in the financial year ahead. The Board of Directors together with the staff of the Group will continue their best efforts to strive for better results of the Group and higher return to the shareholders of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity remained healthy. As at 31 March 2011, the Group had cash and bank balances of approximately HK$557.0 million (31 March 2010: HK$181.4 million), of which approximately 6.0%, 45.4% and 0.3% were denominated in United States dollar, Renminbi and Euro respectively with the remaining in Hong Kong dollar. The Group has no external borrowings during the year. Therefore, the Group has sufficient financial resources to meet its obligations and daily operational 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 2011 and 31 March 2010.

EMPLOYEES

The Group employed approximately 420 employees in Hong Kong and China as at 31 March 2011. The Group remunerates its employees based on market terms and the qualifications and experiences 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 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 year ended 31 March 2011. Code provision E.1.2 of the Code which provides that the Chairman of the Board shall attend the annual general meeting of the Company. Due to unexpected business commitment, Mr. Fang Wen Quan was unable to attend the annual general meeting of the Company held on 27 August 2010 in Hong Kong. This constitutes a deviation from the code provision E.1.2 of the Code.

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

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 internal control and financial reporting matters including review of the financial results of the Group for the year ended 31 March 2011.

DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Directors have recommended, subject to approval of shareholders at the forthcoming annual general meeting, the declaration of a final dividend of HK0.72 cent (2010: HK0.45 cent) per share and a special dividend of HK0.66 cent per share (2010: Nil) for the year ended 31 March 2011. The proposed final dividend together with the proposed special dividend make a total dividend of HK1.38 cents per share for the year. The dates of closure of register of members of the Company for the purpose of determining the identity of shareholders entitled to receive the proposed final dividend and special dividend and the payment date of the said dividends will be announced later.

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

Hong Kong, 27 June 2011

As at the date of this announcement, the Board comprises three executive Directors, being Mr. Fang Wen Quan, Mr. Li Suiming and Mr. Liu Huijiang and three independent non-executive Directors, being Mr. Chiu Sung Hong, Mr. Chiu Fan Wa and Mr. Lam Yat Fai.