



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 2008

The board of directors (the “Board”) of Yunnan Enterprises Holdings Limited (the “Company”) announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2008, together with comparative figures for the corresponding period in 2007. The results have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

		Six months ended 30 September	
		2008	2007
	<i>NOTES</i>	<i>HK\$</i>	<i>HK\$</i>
		(Unaudited)	(Unaudited)
Revenue	3	26,953,257	17,438,320
Cost of sales		(7,454,346)	(4,982,938)
Gross profit		19,498,911	12,455,382
Other income		1,511,732	1,037,022
Distribution costs		(753,180)	(754,655)
Administrative expenses		(13,323,181)	(7,122,792)
Impairment loss on investment in an investee company		–	(260,000)
(Loss) gain arising from change in fair value of an investment property	8	(700,000)	2,200,000
Share of results of associates		750,936	507,940
Profit before tax	4	6,985,218	8,062,897
Income tax expense	5	(2,064,134)	(611,883)
Profit for the period		4,921,084	7,451,014
Profit attributable to:			
Equity holders of the Company		147,714	3,630,772
Minority interests		4,773,370	3,820,242
		4,921,084	7,451,014
Basic earnings per share	7	0.02 HKcent	0.72 HKcent

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 SEPTEMBER 2008

		30 September 2008 HK\$ (Unaudited)	31 March 2008 HK\$ (Audited)
	<i>NOTES</i>		
NON-CURRENT ASSETS			
Investment property	8	22,300,000	23,000,000
Property, plant and equipment	9	24,630,238	24,890,975
Prepaid lease payments		3,964,769	3,897,403
Goodwill		6,075,729	5,895,113
Interests in associates		51,481,656	50,013,527
Investment in an investee company		32,465,141	32,465,141
		140,917,533	140,162,159
CURRENT ASSETS			
Inventories		3,397,452	2,733,854
Properties held for development		121,668,132	118,051,261
Trade and other receivables	10	4,199,461	4,198,197
Prepaid lease payments		89,958	87,283
Available-for-sale investment		–	3,437,813
Bank deposits		100,352,131	99,018,328
Bank balances and cash		56,095,992	39,916,148
		285,803,126	267,442,884
CURRENT LIABILITIES			
Trade and other payables	11	5,765,770	5,013,402
Government grants – current portion		343,655	333,439
Amount due to an associate		912,409	909,362
Tax payable		2,422,889	1,072,091
		9,444,723	7,328,294
NET CURRENT ASSETS		276,358,403	260,114,590
Total assets less current liabilities		417,275,936	400,276,749
NON-CURRENT LIABILITY			
Government grants – non-current portion		2,404,267	2,504,535
		414,871,669	397,772,214
CAPITAL AND RESERVES			
Share capital		93,505,908	93,505,908
Reserves		292,227,311	286,423,766
Equity attributable to equity holders of the Company		385,733,219	379,929,674
Minority interests		29,138,450	17,842,540
		414,871,669	397,772,214

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

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, 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 2008 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 2008. 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 standard 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 2008 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 23 July 2008.

3. SEGMENT INFORMATION

For management purposes, the Group is currently organised into five (2007: three) operating divisions – sales of pharmaceutical and biotech products, property rental, properties development, investment holding for dividend income and exploration and development of mineral resources. These divisions are the bases on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

Six months ended 30 September 2008 (unaudited)

	Sales of pharmaceutical and biotech products <i>HK\$</i>	Property rental <i>HK\$</i>	Properties development <i>HK\$</i>	Investment holding <i>HK\$</i>	Exploration and development of mineral resources <i>HK\$</i>	Consolidated <i>HK\$</i>
REVENUE	<u>24,527,989</u>	<u>429,336</u>	<u>–</u>	<u>1,995,932</u>	<u>–</u>	<u>26,953,257</u>
SEGMENT RESULTS	<u>13,229,899</u>	<u>(422,077)</u>	<u>(561,800)</u>	<u>1,994,927</u>	<u>(1,186,874)</u>	<u>13,054,075</u>
Unallocated income						1,511,732
Unallocated corporate expenses						(8,331,525)
Share of results of associates						<u>750,936</u>
Profit before tax						6,985,218
Income tax expense						<u>(2,064,134)</u>
Profit for the period						<u>4,921,084</u>

Six months ended 30 September 2007 (unaudited)

	Sales of pharmaceutical and biotech products <i>HK\$</i>	Property rental <i>HK\$</i>	Investment holding <i>HK\$</i>	Consolidated <i>HK\$</i>
REVENUE	<u>17,008,984</u>	<u>429,336</u>	<u>–</u>	<u>17,438,320</u>
SEGMENT RESULTS	<u>9,085,940</u>	<u>2,574,451</u>	<u>(4,089,833)</u>	<u>7,570,558</u>
Unallocated income				1,037,022
Unallocated corporate expenses				(1,052,623)
Share of results of associates				<u>507,940</u>
Profit before tax				8,062,897
Income tax expense				<u>(611,883)</u>
Profit for the period				<u>7,451,014</u>

4. PROFIT BEFORE TAX

Six months ended 30 September	
2008	2007
HK\$	HK\$
(Unaudited)	(Unaudited)

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

Depreciation of property, plant and equipment	1,450,745	1,540,793
Amortisation of prepaid lease payments	44,979	40,320
Bank interest income	(1,172,363)	(945,884)
Profit on disposal of available-for-sale investment	(144,119)	—

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.

There is no material deferred taxation for the period or at the balance sheet date.

6. DIVIDENDS

The directors resolved not to pay an interim dividend for the six months ended 30 September 2008 (2007: 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	
2008	2007
HK\$	HK\$
(Unaudited)	(Unaudited)

Profit for the period attributable to the equity holders of the Company	147,714	3,630,772
Number of ordinary shares for the purpose of basic earnings per share	935,059,080	506,853,952

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 rented out under an operating lease and is held under a medium-term lease in Hong Kong.

The investment property is carried at its open market value, on existing use basis, at the period end date, by reference to the valuation on the property at 30 September 2008 conducted by Vigers Appraisal and Consulting Limited, an independent professional valuer. The loss arising from change in fair value amounting to HK\$700,000 (2007: gain of HK\$2,200,000), has been charged to the income statement for the period.

9. PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment for the period amounted to a total of HK\$407,007 (six months ended 30 September 2007: HK\$403,932).

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 balance sheet dates:

	30 September 2008 HK\$ (Unaudited)	31 March 2008 HK\$ (Audited)
Trade receivables		
Within 60 days	565,608	1,682,631
Over 60 days	30,654	71,915
	596,262	1,754,546
Other receivables	3,603,199	2,443,651
	4,199,461	4,198,197

11. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables at the balance sheet dates:

	30 September 2008 HK\$ (Unaudited)	31 March 2008 HK\$ (Audited)
Trade payables		
Within 60 days	1,661,065	554,786
61 – 90 days	33,404	543,838
Over 90 days	223,844	357,763
	1,918,313	1,456,387
Other payables	3,847,457	3,557,015
	5,765,770	5,013,402

MANAGEMENT DISCUSSION & ANALYSIS

Financial Review

For the six months ended 30 September 2008, the Group recorded a revenue of approximately HK\$26,953,000 which represented an increase of 55% when compared to the corresponding period in last year. The increase in revenue was attributable to that sales of the Group's pharmaceutical products continued to maintain its increasing trend during the period under review. Moreover, the fair value of the Group's investment property at 30 September 2008 was valued as HK\$22,300,000. The resulting loss arising from change in fair value of the investment property of HK\$700,000 (gain of HK\$2,200,000 for the corresponding period in last year) was therefore recognized in the income statement for the period under review. During the period under review, the Group continued to share profits of the two associated companies in China amounting to approximately HK\$751,000 (HK\$508,000 for the corresponding period in last year). Moreover, administrative expenses have been increased when the Group entered into the business segments of mineral and energy since the second half of fiscal year 2007/2008. Finally, the Group recorded a profit attributable to shareholders of the Company of approximately HK\$148,000 for the six months ended 30 September 2008 and basic earnings of HK0.02 cent per share, compared to a profit attributable to shareholders of the Company of HK\$3,631,000 and basic earnings of HK0.72 cent per share for the corresponding period in 2007.

Business review

Mineral and energy

On 28 May 2008, Yunnan Province Non-Ferrous Metals Geological Exploration Institute, Yunnan Xintongxin Investment Company Limited ("Xintongxin") and Yunnan Tianda Mining Ltd., an subsidiary of the Company, entered into a cooperative exploration and development contract, pursuant to which the parties thereto reached an agreement in relation to the cooperative exploration and development in the project for the prospecting of copper and multi-metal mine at Xinqiao, Dongchuan District, Yunnan Province. Pursuant to the cooperative contract, the cooperation is mainly for the registration of the rights in respect of the cooperative project and the cooperative exploration and development in the cooperative project. The interest of Yunnan Non-Ferrous Metals Exploration Institute, Xintongxin and Yunnan Tianda Mining Ltd. in the cooperative project shall be 4%, 45% and 51% respectively. Entering into the cooperative contract represents another step of the Group to exploit the mineral resources in Yunnan Province. The Group will be able to benefit from the expertise, experience and/or professionals of Yunnan Non-Ferrous Metals Exploration Institute and Xintongxin 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, generate new income source for the Group and enhance the Company's risk management capability in such investments.

Pharmaceutical business

Yunnan Meng Sheng Pharmaceutical Co., Limited (“Meng Sheng Pharmaceutical”), the Group’s non-wholly owned subsidiary in Kunming, the Yunnan Province, recorded a turnover of approximately RMB21,444,000 during the period under review which represented an increase of 29% over the comparative amount in last year. With strong research and development foundation as well as modern production facilities, the qualities of the products of Meng Sheng Pharmaceutical are assured and therefore well received by the customers even though the entity is facing intense competition in the domestic pharmaceutical market. The Group’s pharmaceutical business therefore continued to record profitable results.

Associated companies

Product price of Shenzhen Xinpeng Biotechnology Engineering Company Limited (“Xinpeng Biotechnology Engineering”) continued to face downward pressure during the period under review. Nevertheless, sales quantity of the corresponding product was able to record growing trend which was attributable to the enhanced marketing efforts enforced by the entity’s sales team. And with effective cost control measures, Xinpeng Biotechnology Engineering then recorded a profit of RMB801,000 during the period under review (compared to a loss of RMB55,000 for the comparative period in last year). On the other hand, the product selling price of the Group’s another associated company, Yunnan Xingning Color Material Printing Co., Limited (“Yunnan Xingning”), continued to face downward pressure. Yunnan Xingning recorded a profit of RMB1,087,000 during the period under review (2007: net profit of RMB2,087,000). Finally, the Group was entitled to share a profits of associated companies amounting to HK\$751,000 during the period under review.

Property Development

The Group’s property development business is mainly carried out by Zhuhai Tianheng Property Co. Ltd., a wholly-owned subsidiary of the Group in the PRC. It holds a piece of land located at the Southwest of Gangwan Main Road, Yinkeng, Xiangzhou, Zhuhai. The land has a total site area of approximately 25,000 square meters. The development of the land has yet to be commenced as taking into account the risk involved in the development of the land under the prevailing uncertain market situations and the existing temporary buildings on the land have not been demolished as planned given that the occupant of such buildings has yet to relocate from the land. The Group has obtained the ownership of the land and is in the process of requesting for the removal of such occupant in accordance with relevant laws of the PRC.

Outlook

The Company will continue to explore business opportunities in the resources sector actively. To this end, the Group entered into cooperation framework agreements with its strategic partners and was granted the Certificate of Approval for Exploration of Mineral Resources in two mineral resources projects. The sites are considered to hold potential deposit of copper, lead and zinc. It is applying for more mining rights. On the other hand, it will expand its presence in the resources arena through merger and acquisition to enhance its pace of investment in the industry. It is expected that the strategy of focusing on mineral and energy resources development will bring a more significant gains to the Group.

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 the entity to cope with the intense competition in the domestic pharmaceutical market effectively. The Group therefore believes that the pharmaceutical business will be further enhanced in the future. Moreover, the operating results of the Group's two main associated companies, Shenzhen Xinpeng and Yunnan Xingning, will expect to improve by research and development of new medicine and increase under their existing experienced management team.

Liquidity and financial resources

The Group continued to sustain a liquidity position. As at 30 September 2008, the Group had cash and bank balances of approximately HK\$156,448,000. Approximately 17% and 33% 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. 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 charges on assets as at 30 September 2008.

Employment and remuneration policy

As at 30 September 2008, the Group employed approximately 130 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 six months ended 30 September 2008, 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 2008 except that the 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. LI Suiming, the Chairman of the Board who resides in Yunnan, was unable to attend the annual general meeting of the Company held on 27 August 2008 in Hong Kong. This constitutes a deviation from the code provision E.1.2 of the Code.

BOARD OF DIRECTORS

During the period under review, Mr. Ma Pizhi has tendered resignation as an executive director, managing director, the chairman and a member of the remuneration committee of the Company due to change of business engagements. Therefore, the Board has appointed Mr. Fang Wen Quan, an executive director of the Company, as managing director, the chairman and a member of the remuneration committee of the Company with effect from 1 September 2008. Moreover, the Board has appointed Mr. Chiu Sung Hong as an independent non-executive director, a member of the remuneration committee, the chairman and a member of the audit committee of the Company upon Mr. Ho Wing Fun's retirement after many years of service to the Company on 10 April 2008.

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 complied with the Model Code throughout the six months ended 30 September 2008.

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 2008.

By order of the Board
Fang Wen Quan
Managing director

Hong Kong, 19 December 2008

As at the date of this announcement, the Board comprises Mr. Li Suiming, Mr. Fang Wen Quan, Mr. Li Guanglin and Mr. Liu Huijiang as executive directors, and Mr. Chiu Sung Hong, Mr. Wu Wen Jing, Benjamin and Mr. Lam Yat Fai as independent non-executive directors.