



**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 2007**

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 2007, together with comparative figures for the corresponding period in 2006, as follows:–

### **CONDENSED CONSOLIDATED INCOME STATEMENT**

*For the six months ended 30 September 2007*

		<b>Six months ended 30 September</b>	
	<i>NOTES</i>	<b>2007</b>	<b>2006</b>
		<b>HK\$</b>	<b>HK\$</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	3	<b>17,438,320</b>	7,083,427
Cost of sales		<b>(4,982,938)</b>	(3,191,527)
Gross profit		<b>12,455,382</b>	3,891,900
Other income		<b>1,037,022</b>	1,133,459
Distribution costs		<b>(754,655)</b>	(203,551)
Administrative expenses		<b>(7,122,792)</b>	(5,574,087)
Impairment loss on investment in an investee company	4	<b>(260,000)</b>	(9,640,000)
Gain arising from change in fair value of an investment property		<b>2,200,000</b>	1,800,000
Share of results of associates		<b>507,940</b>	250,936
Profit (loss) before tax	5	<b>8,062,897</b>	(8,341,343)
Income tax expense	6	<b>(611,883)</b>	(4,120)
Profit (loss) for the period		<b><u>7,451,014</u></b>	<b><u>(8,345,463)</u></b>
Profit (loss) attributable to:			
Equity holders of the Company		<b>3,630,772</b>	(9,481,918)
Minority interests		<b><u>3,820,242</u></b>	<b><u>1,136,455</u></b>
		<b><u>7,451,014</u></b>	<b><u>(8,345,463)</u></b>
Basic earnings (loss) per share	8	<b><u>0.72 HKcent</u></b>	<b><u>(1.87) HKcents</u></b>

# CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2007

	30 September 2007 HK\$ (Unaudited)	31 March 2007 HK\$ (Audited)
NON-CURRENT ASSETS		
Investment property	19,600,000	17,400,000
Property, plant and equipment	24,060,504	24,755,418
Prepaid lease payments	3,671,589	3,640,439
Goodwill	5,485,778	5,250,359
Interests in associates	43,866,715	42,472,664
Investment in an investee company	32,465,141	32,725,141
	<u>129,149,727</u>	<u>126,244,021</u>
CURRENT ASSETS		
Inventories	2,058,968	1,742,685
Loan to ultimate holding company	350,000	350,000
Loan to an investee company	49,583	49,583
Trade and other receivables	2,892,419	7,657,579
Prepaid lease payments	81,223	79,570
Tax recoverable	77,547	84,747
Bank balances and cash	74,728,908	66,142,117
	<u>80,238,648</u>	<u>76,106,281</u>
CURRENT LIABILITIES		
Trade and other payables	4,202,853	4,183,300
Government grants – current portion	464,566	400,135
Deposit received	303,515	303,515
Amount due to an associate	846,219	809,904
Tax payable	7,539	6,633
	<u>5,824,692</u>	<u>5,703,487</u>
NET CURRENT ASSETS	<u>74,413,956</u>	<u>70,402,794</u>

	<b>30 September</b>	31 March
	<b>2007</b>	2007
	<b>HK\$</b>	<b>HK\$</b>
	<b>(Unaudited)</b>	(Audited)
Total assets less current liabilities	<b>203,563,683</b>	196,646,815
<b>NON-CURRENT LIABILITY</b>		
Government grants – non-current portion	<b>2,536,882</b>	2,536,882
	<b><u>201,026,801</u></b>	<b><u>194,109,933</u></b>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>50,685,395</b>	50,685,395
Reserves	<b>131,684,646</b>	126,169,803
Equity attributable to equity holders of the Company	<b>182,370,041</b>	176,855,198
Minority interests	<b>18,656,760</b>	17,254,735
	<b><u>201,026,801</u></b>	<b><u>194,109,933</u></b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 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.

## 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 Yunnan Enterprises Holdings Limited (the “Company”) for the year ended 31 March 2007.

In the current interim period, the Company has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Company’s financial year beginning on 1 April 2007. The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Company has not early applied the following new revised standard and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards and interpretations will have no material impact on the results and the financial position of the Group.

HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 12	Service Concession Arrangements <sup>2</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>2</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1 January 2009*

<sup>2</sup> *Effective for annual periods beginning on or after 1 January 2008*

<sup>3</sup> *Effective for annual periods beginning on or after 1 July 2008*

### 3. SEGMENT INFORMATION

For management purposes, the Company is organised into three operating divisions – sales of pharmaceutical products, property rental and investment holding for dividend income. These divisions are the bases on which the Company's primary segment information is reported.

Segment information about these businesses is presented below.

	<b>Sales of pharmaceutical products <i>HK\$</i> (Unaudited)</b>	<b>Property rental <i>HK\$</i> (Unaudited)</b>	<b>Investment holding <i>HK\$</i> (Unaudited)</b>	<b>Consolidated <i>HK\$</i> (Unaudited)</b>
<b>Six months ended 30 September 2007</b>				
REVENUE	<b><u>17,008,984</u></b>	<b><u>429,336</u></b>	<b><u>–</u></b>	<b><u>17,438,320</u></b>
SEGMENT RESULTS	<b><u>9,085,940</u></b>	<b><u>2,574,451</u></b>	<b><u>(4,089,833)</u></b>	<b><u>7,570,558</u></b>
Bank interest income				<b>945,884</b>
Unallocated corporate income				<b>91,138</b>
Unallocated corporate expenses				<b>(1,052,623)</b>
Share of results of associates				<b><u>507,940</u></b>
Profit before tax				<b>8,062,897</b>
Income tax expense				<b><u>(611,883)</u></b>
Profit for the period				<b><u><u>7,451,014</u></u></b>

	Sales of pharmaceutical products <i>HK\$</i> (Unaudited)	Property rental <i>HK\$</i> (Unaudited)	Investment holding <i>HK\$</i> (Unaudited)	Consolidated <i>HK\$</i> (Unaudited)
Six months ended 30 September 2006				
REVENUE	<u>6,832,981</u>	<u>250,446</u>	<u>–</u>	<u>7,083,427</u>
Segment results	<u>1,195,804</u>	<u>1,489,048</u>	<u>(10,522,216)</u>	<u>(7,837,364)</u>
Bank interest income				1,133,459
Unallocated corporate expenses				(1,888,374)
Share of results of associates				<u>250,936</u>
Loss before tax				(8,341,343)
Income tax expense				<u>(4,120)</u>
Loss for the period				<u><u>(8,345,463)</u></u>

#### 4. IMPAIRMENT LOSS ON INVESTMENT IN AN INVESTEE COMPANY

Management conducted a review of the recoverable amount of the Company's investment in an investee company, which is carried at cost less accumulative impairment at balance sheet date. In view of the anticipated decline in economic inflows from such investment, management considers it appropriate to provide for an impairment loss of HK\$260,000 (2006: HK\$9,640,000) in the current period against the cost of such investment.

The recoverable amount of the investment has been determined based on expected dividend income covering a eighteen-year period which is the estimated project life of the investment, using a discount rate of 6.11%.

## 5. PROFIT (LOSS) BEFORE TAX

	Six months ended 30 September	
	2007	2006
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Profit (loss) before tax has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	1,540,793	1,374,248
Amortisation of prepaid lease payments	40,320	37,813
Amortisation of intangible assets (included in cost of sales)	—	43,272
	<hr/>	<hr/>
Total depreciation and amortisation	1,581,113	1,455,333
Bank interest income	(945,884)	(1,133,459)
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## 6. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Company 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.

## 7. DIVIDENDS

The directors resolved not to pay an interim dividend for the six months ended 30 September 2007 (2006: Nil).

## 8. BASIC EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 September	
	2007	2006
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to the equity holders of the Company	3,630,772	(9,481,918)
Number of ordinary shares for the purpose of basic earnings (loss) per share	506,853,952	506,853,952

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

## MANAGEMENT DISCUSSION & ANALYSIS

### Financial Review

For the six months ended 30 September 2007, the Group recorded a revenue of approximately HK\$17,438,000 representing an increase of 146% as compared to the corresponding period in last year. The increase in revenue was attributable to that sales of the Group's pharmaceutical products which continued to maintain its increasing trend during the period under review. Moreover, the fair value of the Group's investment property at 30 September 2007 was valued as HK\$19,600,000, resulting a gain arising from change in fair value of the investment property of HK\$2,200,000 which was recognized in the income statement. During the period under review, the Group continued to share profits of the two associated companies in China amounting to approximately HK\$508,000 (a share of profits of associated companies amounting to HK\$251,000 for the corresponding period in last year). Finally, the Group recorded a profit attributable to shareholders of the Company of approximately HK\$3,631,000 for the six months ended 30 September 2007 and basic earnings of HK0.72 cent per share, compared to a loss attributable to shareholders of the Company of HK\$9,482,000 and basic loss of HK1.87 cents per share for the corresponding period in 2006.



## **Business review**

### ***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 Rmb16,589,000 during the period under review which represented an increase of 133% 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”, one of the Group’s associated companies) 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 loss of Rmb55,000 during the period under review (compared to a loss of Rmb968,000 for the comparative period in last year). On the other hand, the Group’s another associated company Yunnan Xingning Color Material Printing Co., Limited (“Yunnan Xingning”) continued its increasing trend in operating results. Yunnan Xingning recorded a profit of Rmb2,087,000 during the period under review. Finally, the Group was entitled to share a profits of associated companies amounting to HK\$508,000 during the period under review.

## **Outlook**

On 25 October 2007, the Company entered into an acquisition agreement to acquire the entire issued share capital of Tianda Properties Limited which holds the entire equity interest in Zhuhai Tianheng Real Estate Company Limited (“Tianheng”). Tianheng is principally engaging in the development of land and sale of villa, residential and ancillary uses such as landscaped garden and carparks in Zhuhai.

In view of the prosperous economic and social development of Zuhai which promotes the long-term and healthy development of local real estate market, it is expected that the Group will benefit from the development of the land and the sales of properties to be constructed on the land.

### **Liquidity and financial resources**

The Group continued to sustain a liquidity position. As at 30 September 2007, the Group had cash and bank balances of approximately HK\$74,729,000. Approximately 43% and 47% 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 2007.

### **Employment and remuneration policy**

As at 30 September 2007, the Group employed approximately 90 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 2007, 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 2007 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 24 August 2007 in Hong Kong. This constitutes a deviation from the code provision E.1.2 of the Code.

## **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 2007.

## **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 2007.

By order of the Board  
**Ma Pizhi**  
*Managing director*

Hong Kong, 19 December 2007

*As at the date of this announcement, the board of directors of the Company comprises five executive directors, namely Mr. Li Suiming, Mr. Ma Pizhi, Mr. Li Guanglin, Mr. Fang Wen Quan and Mr. Liu Huijiang; and three independent non-executive directors, namely Mr. Ho Wing Fun, Mr. Wu Wen Jing, Benjamin and Mr. Lam Yat Fai.*