



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)*

# 雲南實業

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**Interim Report 2009**

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 2009, together with comparative figures for the corresponding period in 2008. The results have been reviewed by the Company’s audit committee.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2009

	Notes	Six months ended 30 September	
		2009 HK\$ (Unaudited)	2008 HK\$ (Unaudited)
Revenue	3	<b>37,825,316</b>	26,953,257
Cost of sales		<b>(10,344,659)</b>	(7,454,346)
Gross profit		<b>27,480,657</b>	19,498,911
Other income		<b>607,645</b>	1,511,732
Distribution and selling expenses		<b>(382,806)</b>	(753,180)
Administrative expenses		<b>(8,033,541)</b>	(13,226,919)
Other expenses		<b>(67,540)</b>	(96,262)
Gain (loss) arising from change in fair value of an investment property	8	<b>1,200,000</b>	(700,000)
Share of results of associates		<b>487,557</b>	750,936
Profit before tax	4	<b>21,291,972</b>	6,985,218
Income tax expense	5	<b>(3,579,879)</b>	(2,064,134)
Profit for the period		<b>17,712,093</b>	4,921,084
Profit attributable to:			
Equity holders of the Company		<b>8,536,643</b>	147,714
Minority interests		<b>9,175,450</b>	4,773,370
		<b>17,712,093</b>	4,921,084
Basic earnings per share	7	<b>0.91 HKcent</b>	0.02 HKcent

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2009

	Six months ended 30 September	
	2009 HK\$ (Unaudited)	2008 HK\$ (Unaudited)
Profit for the period	17,712,093	4,921,084
Exchange difference arising on translation of foreign operations	3,114,570	5,961,773
Gain on fair value changes of available-for-sale investment	46,000	–
Transfer to profit and loss on disposal of available-for-sale investment	(157,614)	(108,420)
<b>Total comprehensive income for the period</b>	<b>20,715,049</b>	<b>10,774,437</b>
Total comprehensive income attributable to:		
Equity holders of the Company	11,419,751	5,803,545
Minority interests	9,295,298	4,970,892
	<b>20,715,049</b>	<b>10,774,437</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2009

	Notes	30 September 2009 HK\$ (Unaudited)	31 March 2009 HK\$ (Audited)
<b>NON-CURRENT ASSETS</b>			
Investment property	8	22,000,000	20,800,000
Property, plant and equipment	9	25,041,121	23,235,598
Prepaid lease payments		3,888,515	3,886,581
Goodwill		6,024,202	6,021,017
Exploration and evaluation assets		2,577,148	1,820,930
Advance payment for property, plant and equipment		–	1,804,926
Interests in associates		51,396,262	51,453,148
Investment in an investee company		32,465,141	32,465,141
		<b>143,392,389</b>	141,487,341
<b>CURRENT ASSETS</b>			
Inventories		4,252,251	4,664,259
Properties held for development		121,441,992	120,572,522
Trade and other receivables	10	2,224,280	7,696,283
Prepaid lease payments		89,197	89,148
Available-for-sale investment		32,384,950	28,337,500
Bank deposits		68,033,759	107,420,409
Bank balances and cash		73,895,761	27,957,910
		<b>302,322,190</b>	296,738,031
<b>TOTAL ASSETS</b>		<b>445,714,579</b>	438,225,372
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
Share capital		93,505,908	93,505,908
Reserves		305,729,970	294,310,219
		<b>399,235,878</b>	387,816,127
<b>MINORITY INTERESTS</b>		<b>34,093,628</b>	24,798,330
<b>TOTAL EQUITY</b>		<b>433,329,506</b>	412,614,457

	Notes	<b>30 September 2009 HK\$ (Unaudited)</b>	31 March 2009 HK\$ (Audited)
<b>NON-CURRENT LIABILITY</b>			
Loans from ultimate holding company		<b>3,826,000</b>	3,826,000
Government grants – non-current portion		<b>2,016,252</b>	2,173,485
		<b>5,842,252</b>	5,999,485
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	<b>3,882,096</b>	14,969,702
Government grants – current portion		<b>334,560</b>	334,383
Amount due to an associate		<b>892,362</b>	891,893
Tax payable		<b>1,433,803</b>	3,415,452
		<b>6,542,821</b>	19,611,430
<b>TOTAL LIABILITIES</b>		<b>12,385,073</b>	25,610,915
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>445,714,579</b>	438,225,372

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2009 – unaudited

Attributable to the equity holders of the Company												
	Share capital	Share premium	Capital redemption reserve	Goodwill reserve	Special reserve	Statutory reserves	Exchange reserve	Change in fair value of available-for-sale investment		Minority interests	Total	
								(Accumulated losses)/retained earnings	Sub-total			
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
					Note (i)	Note (ii)						
At 31 March 2008 and												
1 April 2008	93,505,908	473,077,599	8,000	(7,938,469)	3,460,016	8,500,925	18,072,312	108,420	(208,865,037)	286,423,766	17,842,540	397,772,214
Disposal of interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	6,325,018	6,325,018
Total comprehensive income for the period	-	-	-	-	-	-	5,764,251	(108,420)	147,714	5,803,545	4,970,892	10,774,437
At 30 September 2008 and												
1 October 2008	93,505,908	473,077,599	8,000	(7,938,469)	3,460,016	8,500,925	23,836,563	-	(208,717,323)	292,227,311	29,138,450	414,871,669
Total comprehensive income for the period	-	-	-	-	-	-	(678,749)	157,614	2,604,043	2,082,908	6,440,411	8,523,319
Reclassification	-	-	-	-	-	-	-	-	-	-	(2,500,000)	(2,500,000)
Transfer to reserves	-	-	-	-	-	2,044,575	-	-	(2,044,575)	-	-	-
Dividends declared	-	-	-	-	-	-	-	-	-	-	(8,280,531)	(8,280,531)
At 31 March 2009 and												
1 April 2009	93,505,908	473,077,599	8,000	(7,938,469)	3,460,016	10,545,500	23,157,814	157,614	(208,157,855)	294,310,219	24,798,330	412,614,457
Total comprehensive income for the period	-	-	-	-	-	-	2,994,722	(111,614)	8,536,643	11,419,751	9,295,298	20,715,049
Share premium reduction eliminated accumulated losses	-	(300,000,000)	-	-	-	-	-	-	300,000,000	-	-	-
<b>At 30 September 2009</b>	<b>93,505,908</b>	<b>173,077,599</b>	<b>8,000</b>	<b>(7,938,469)</b>	<b>3,460,016</b>	<b>10,545,500</b>	<b>26,152,536</b>	<b>46,000</b>	<b>100,378,788</b>	<b>305,729,970</b>	<b>34,093,628</b>	<b>433,329,506</b>

## Notes:

- (i) The special reserve of the Company represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the share capital of a subsidiary acquired by the Company pursuant to a corporate reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in 1992.
- (ii) The statutory reserves represent the appropriation of certain percentages of profit after taxation of subsidiaries in The People's Republic of China (the "PRC") as recommended by the directors of those subsidiaries and reported under the PRC statutory financial statements.

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## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2009 – unaudited

	Six months ended 30 September	
	2009 HK\$	2008 HK\$
Net cash generated from operating activities	<b>10,841,970</b>	6,224,492
Net cash generated from investing activities	<b>35,040,808</b>	2,775,063
Cash generated from financing activity	–	6,326,049
Net increase in cash and cash equivalents	<b>45,882,778</b>	15,325,604
Cash and cash equivalents at beginning of the period	<b>27,957,910</b>	39,916,148
Effect of foreign exchange rate changes	<b>55,073</b>	854,240
Cash and cash equivalents at end of the period, represented by bank balances and cash	<b>73,895,761</b>	56,095,992

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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

## 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 2009 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 2009. 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 2009 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 22 July 2009.

## 3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the board of directors of the Company) in order to allocate resources to the segment and to assess their performance. In contrast, the predecessor standard (HKAS 14 “Segment Reporting”) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity’s system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. The application of HKFRS 8 has not resulted in the redesignation of the Group’s reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

Segment profit represents the profit earned by each segment without allocation of general administration expenses, directors' emoluments, share of (loss) profit of an associate, other income and finance costs. This is the measure reported to the Board for the purposes of resources allocation and performance assessment.

The total assets of the Group as at the interim report date do not differ significantly since the latest annual report date.

### Six months ended 30 September 2009 (unaudited)

	Pharmaceutical and biotechnology products HK\$	Property rental HK\$	Property development HK\$	Investment holding HK\$	Mineral and energy HK\$	Consolidated HK\$
REVENUE	37,395,980	429,336	-	-	-	37,825,316
SEGMENT RESULTS	24,829,096	1,584,306	(54,324)	135,047	(816,384)	25,677,741
Unallocated income						472,598
Unallocated corporate expenses						(5,345,924)
Share of results of associates						487,557
Profit before tax						21,291,972
Income tax expense						(3,579,879)
Profit for the period						17,712,093

### Six months ended 30 September 2008 (unaudited)

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

#### 4. PROFIT BEFORE TAX

	Six months ended 30 September	
	2009 HK\$ (Unaudited)	2008 HK\$ (Unaudited)
Profit before tax has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	1,517,973	1,450,745
Amortisation of prepaid lease payments	44,598	44,979
Bank interest income	(94,185)	(1,172,363)
Profit on disposal of available-for-sale investment	(289,746)	(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 2009 (2008: 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	
	2009 HK\$ (Unaudited)	2008 HK\$ (Unaudited)
Profit for the period attributable to the equity holders of the Company	8,536,643	147,714
Number of ordinary shares for the purpose of basic earnings per share	935,059,080	935,059,080

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 2009 conducted by Vigers Appraisal and Consulting Limited, an independent professional valuer. The gain arising from change in fair value amounting to HK\$1,200,000 (six months ended 30 September 2008: loss of HK\$700,000), has been credited 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\$1,935,566 (six months ended 30 September 2008: HK\$407,007).

## 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:

	<b>30 September 2009 HK\$ (Unaudited)</b>	31 March 2009 HK\$ (Audited)
Trade receivables		
Within 60 days	<b>419,354</b>	1,011,052
Over 60 days	–	11,618
	<b>419,354</b>	1,022,670
Dividends receivable from an investee company	–	3,795,641
Other receivables, deposits and prepayments	<b>1,804,926</b>	2,877,972
	<b>2,224,280</b>	7,696,283

## 11. TRADE AND OTHER PAYABLES

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

	<b>30 September 2009 HK\$ (Unaudited)</b>	31 March 2009 HK\$ (Audited)
Trade payables		
Within 60 days	<b>636,262</b>	2,202,368
61 – 90 days	<b>157,152</b>	26,008
Over 90 days	–	215,806
	<b>793,414</b>	2,444,182
Dividend payable to a minority shareholder	–	8,280,531
Other payables and accruals	<b>3,088,682</b>	4,244,989
	<b>3,882,096</b>	14,969,702

## 12. RELATED PARTY TRANSACTIONS

- (a) Details of balances of the Group with related parties are set out in the consolidated statement of financial position.

The amount due to an associate and loans from ultimate holding company are unsecured, interest free and repayable on demand.

- (b) **Compensation of key management personnel**

The remunerations of directors and other members of key management in respect of the period are as follows:

	<b>Six months ended 30 September</b>	
	<b>2009 HK\$</b>	2008 HK\$
Short-term benefits	<b>540,000</b>	720,000
Post-employment benefits	<b>8,000</b>	12,000
	<b>548,000</b>	732,000

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## MANAGEMENT DISCUSSION & ANALYSIS

### Financial Review

For the six months ended 30 September 2009, the Group recorded a total turnover of approximately HK\$37.825 million, representing an increase of 40% as compared to the corresponding period last year. The increase in turnover mainly reflected the significant increase in sales of the pharmaceutical business 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 2009 was at HK\$22 million, resulting a gain of HK\$1.2 million from the change in fair value of investment property (loss of HK\$0.7 million for the corresponding period last year). Gain of associated companies attributed to the Group during the period under review amounted to approximately HK\$0.488 million, less than the amount of the same period last year (HK\$0.751 million for the corresponding period last year). Moreover, during the period under review, administrative and other expenses have been decreased with the proper implementation of effective cost control with the Group. Therefore, taking into account the income tax expense and minority interests, the Group recorded a profit attributable to shareholders of the Company of approximately HK\$8.537 million for the six months ended 30 September 2009 (profit of HK\$0.148 million for the corresponding period last year). Earning per share for the period under review was HK0.91 cent (HK0.02 cent for the corresponding period last year).

### Business review

#### *Pharmaceutical and Biotechnology Business*

The Group's pharmaceutical and biotechnology business is operated by Yunnan Meng Sheng Pharmaceutical Co., Limited ("Meng Sheng Pharmaceutical"), a subsidiary of which 55% equity interest owned by the Group; and an associated company, Shenzhen Xinpeng Biotechnology Engineering Co., Limited ("Xinpeng Biotechnology"), a company of which 48% equity interests is held by the Group.

During the period under review, Meng Sheng Pharmaceutical recorded a turnover of approximately HK\$37.396 million, representing an increase of 54% over the comparative amount last year. Its flagship product, "Cerebroprotein Hydrolysate for Injection", is well received by market and sales orders of which have sustained its growth. The increase in turnover, coupled with the effective cost control measures, has lowered its operating expense ratio. Overall speaking, its business performance is encouraging.

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During the period under review, Xinpeng Biotechnology recorded a slight loss of HK\$0.048 million (profit of HK\$0.909 million for the corresponding period last year). This was due to intensifying market competition, Xinpeng Biotechnology's product pricing was under pressure, although it has strengthened its marketing effort of increasing the sales turnover.

### ***Mineral and energy***

As at 30 September 2009, the Group holds two exploration rights in Yunnan, one is copper and multi-metal exploration right in Dongchuan District and the other is lead and zinc exploration right in Huize County. During the period under review, the Group had completed the geological survey design of the two projects and conducted geological investigation within the tenements. In the Dongchuan, potentially economic phosphorous deposits have been discovered. In Huize, several geophysical anomalies have been delineated within the tenement. The geological investigation is currently making good progress.

### ***Packaging & Printing***

During the period under review, Yuxi Globe Colour Printing Carton Co. Ltd., of which 18.75% equity interests is held by the Group, has improved its operating results, and contributed a dividend payment to the Group for approximately HK\$3.143 million (HK\$2.254 million for the corresponding period last year).

On the other hand, Yunnan Xingning Colour Material Printing Co. Ltd., another associated company of the Group of which 25% equity interests is held by the Group, has recorded a profit of HK\$2.056 million (HK\$1.234 million for the corresponding period last year).

### ***Property Development***

The Group's property development business is mainly carried out by Zhuhai Tianheng Property Co. Ltd., a wholly-owned subsidiary in the PRC. It holds a block of land located at the Southwest of Gangwan Main Road, Yinkeng, Xiangzhou, Zhuhai (the "land"). The land has a total site area of approximately 25,000 square meters. Considering the development of the land has yet to be commenced, the Group will be pulling out from the property industry in Zhuhai should opportunities arise, in order to re-allocate resources to other more profitable business segments.

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## **Outlook**

While continuing to expand its domestic market, Meng Sheng Pharmaceutical will explore and develop its international market, which will further increase its sales turnover. Also, Meng Sheng Pharmaceutical dedicates on research and developing other new products. Diversified product portfolio enables the entity to cope with the intense competition in the pharmaceutical market effectively. The Group therefore believes that Meng Sheng Pharmaceutical will contribute more profit to the Group. Moreover, the operating result of Xinpeng Biotechnology is expected to improve through the strengthening of the management team, a positive return is believed to be delivered in the near future. On the other hand, the Group will carry out mergers and acquisitions targeting high quality projects to emphasis and highlight the core business of the Group in developing pharmaceutical and biotechnology. In general, the Group will primarily dedicate its major resources to the development of pharmaceutical and biotechnology business to build up a bigger and stronger business segment. It is believed that scaled up pharmaceutical and biotechnology business will deliver stable and significant profit to the Group in the future.

In the business of mineral and energy, the Group continues to progress its exploration works on the two mining projects in Yunnan Province. Should the time is appropriate, the Group will join venture with the large and experienced mining companies to explore and develop these two projects in order to accelerate the profit contribution to the Group. Meanwhile, the Group is in the process of applying more exploration and mining rights. On the other hand, it will carry out mergers and acquisitions for the good potential projects to accelerate its investment in the industry. Mineral and energy business is the other business segment of the Group, which is expected to bring growth momentum and new earnings to the Group.

The Group will expand its packaging and printing business through equity swap, business restructuring and other measures should opportunities arise in order to increase its contributions to the Group's results.

## **Liquidity and financial resources**

The Group's liquidity continued to stay in a healthy position. As at 30 September 2009, the Group had cash and bank balances of approximately HK\$141.93 million. Approximately 18% and 48% 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 operations needs.

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### **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 2009.

### **Reduction of share premium account**

At the annual general meeting of the Company held on 28 August 2009, a special resolution was duly passed to approve reduction of share premium account of the Company by an amount of HK\$300,000,000 and use of this amount to eliminate accumulated losses of the Company of HK\$254,343,336 with a surplus of HK\$45,656,664 in the retained earnings account of the Company,

### **Employment and remuneration policy**

As at 30 September 2009, the Group employed approximately 120 employees in Hong Kong and China. The Group remunerates its employees based on market terms, and the qualifications and experience of the employees concerned.

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

During the six months ended 30 September 2009, 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 2009 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. Due to unexpected business commitment, Mr. FANG Wen Quan was unable to attend the annual general meeting of the Company held on 28 August 2009 in Hong Kong. This constitutes a deviation from the code provision E.1.2 of the Code.

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## BOARD OF DIRECTORS

During the period under review, Mr. LI Suiming has tendered resignation as the chairman of the Board due to change of his business engagements. Therefore, the Board has appointed Mr. FANG Wen Quan, the managing director of the Company as the chairman of the Board with effect from 1 August 2009. 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.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30th September, 2009, the interests of the Company's directors, chief executives and their associates in the shares and underlying shares of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, were as follows:

### (A) Shares of the Company

<u>Name of Director</u>	<u>Capacity</u>	<u>Number of shares held</u>	<u>%</u>
Mr. FANG Wen Quan	Held by controlled corporation	475,586,080 (Note 1)	50.86

### (B) Shares of Associated Corporations

<u>Name of Director</u>	<u>Name of subsidiary</u>	<u>Number of shares held</u>	<u>%</u>
Mr. FANG Wen Quan	Tianda Mining (Gansu) Limited	49	49
	Tianda Mining (Yunnan) Limited	49	49

Note:

- (1) All the above shares are beneficially owned by Tianda Group Limited. Mr. FANG Wen Quan has 100% equity interests in Tianda Group Limited and, accordingly, is deemed to have a corporate interest in the said 475,586,080 shares owned by Tianda Group Limited.
- (2) All the interests stated above represent long positions.

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## SUBSTANTIAL SHAREHOLDERS

At 30 September 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of the relevant interests in 5% or more of the issued share capital of the Company:

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>%</b>
Tianda Group Limited	Beneficial owner	475,586,080 (Note 1)	50.86
Mr. FANG Wen Quan	Held by controlled corporation	475,586,080 (Note 1)	50.86
South Hong Investment Limited	Beneficial owner	214,992,928 (Note 2)	22.99
Hongta Tobacco (Group) Limited	Held by controlled corporation	214,992,928 (Note 2)	22.99

Notes:

- (1) These 475,586,080 shares are beneficially owned by Tianda Group Limited. Mr. FANG Wen Quan has 100% equity interests in Tianda Group Limited and, accordingly, is deemed to have a corporate interest in the said 475,586,080 shares owned by Tianda Group Limited.
- (2) These 214,992,928 shares are beneficially owned by South Hong Investment Limited ("South Hong"). South Hong was beneficially owned as to approximately 92.28% by Hongta Tobacco (Group) Limited. Accordingly, Hongta Tobacco (Group) Limited is deemed to be interested in the 214,992,928 shares owned by South Hong.

All the interests stated above represent long positions. As at 30 September 2009, no short position was recorded in the register kept by the Company under section 336 of the SFO.

Save as disclosed above, the Company has not been notified of any other interest representing 5% or more in the Company's issued share capital as at 30 September 2009.

## DISCLOSURE OF CHANGE OF INFORMATION OF DIRECTORS UNDER 13.51B(1) OF THE LISTING RULES

Mr. LAM Yat Fai, an independent non-executive Director of the Company, ceased to be an independent non-executive director of New Smart Energy Group Limited (Stock Code: 91) with effect from 31 July 2009.

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## **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 2009.

## **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 2009.

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

Hong Kong, 11 December 2009