

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Yunnan Enterprises Holdings Limited (the "Company"), I hereby present to shareholders the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2005.

RESULTS REVIEW

For the year ended 31 March 2005, turnover of the Group amounted to HK\$10.11 million, an increase of 75% from the previous year (2004: HK\$5.77 million). Turnover was mainly derived from sales of pharmaceutical products carried out by Yunnan Meng Sheng Pharmaceutical Co., Limited ("Meng Sheng Pharmaceutical", a non-wholly owned subsidiary of the Company) and the dividend income from investment in Yuxi Globe Color Printing Carton Co., Limited ("Yuxi Globe"). During the year under review, the operating performance of both Meng Sheng Pharmaceutical and Yuxi Globe were improved when compared to previous year. The Group was therefore able to benefit from such improvement. Moreover, the Group was entitled to a share of profits (before tax) of those associated companies during the year under review. This actually represented a turnaround when compared to a share of losses (before tax) of the associated companies for the previous year. The Group finally recorded a net loss of HK\$650,000 during the year under review, compared to a net loss of HK\$5.74 million for the previous financial year. Loss per share for the current year was 0.129 cent with loss per share for the previous year being 1.181 cents.

DIVIDEND

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 March 2005.

PROSPECTS

Since July 2003 when Meng Sheng Pharmaceutical formally became a subsidiary of the Company, the operating performance of the entity maintained a stable growth. Meng Sheng Pharmaceutical is expected to launch several new products to the market in near future, which will then facilitate the pharmaceutical business of the Group. Yuxi Globe is also an outstanding entity in the mainland China which has enjoyed its eleventh consecutive year of profitability and had declared considerable amounts of dividend to its investors over the past years. The Group's total dividend income arising from investment in Yuxi Globe amounted to HK\$24.9 million, which provide a strong foundation for the income base of the Group. Moreover, the Group's associated companies consist of Shenzhen Xinpeng Biotechnology Engineering Company Limited as well as Yunnan Xingning Color Material Printing Co., Limited. The operating results of the former associate will continue to improve with its experienced management team, whilst the profitability of the latter associate will further increase under the full support of Yunnan Hongta Group Co., Ltd. The Group is therefore optimistic with regard to the prospect of theses associated companies. The Group will continue to implement effective cost control measures and believes that better results could be achieved in the coming years. As the new Chairman of the Company, I will endeavor to work with the members of the Board for bringing promising returns to the shareholders.

APPRECIATION

Finally, on behalf of the Board, I would like to express my sincere gratitude to all staff for their hard work and commitment during the past year, as well as to our shareholders for their continued support of the Group.

Li Suiming

Chairman

Hong Kong, 22 July 2005