



# 正業國際控股有限公司

ZHENGYE INTERNATIONAL HOLDINGS COMPANY LIMITED

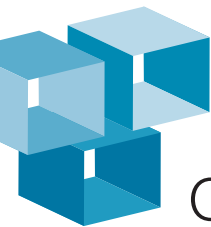
*(incorporated in Bermuda with limited liability)*

Stock Code : 3363



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# Corporate Information

## Board of Directors

### Executive Directors

Mr. Hu Zheng  
Mr. Hu Hanchao  
Mr. Hu Hancheng

### Non-Executive Director

Mr. Hu Hanxiang

### Independent Non-Executive Directors

Mr. Chung Kwok Mo John  
Mr. Wu Youjun  
Mr. Zhu Hongwei

## Company Secretary

Mr. Lau Wang Lap, CPA

## Authorised Representatives

Mr. Hu Zheng  
Mr. Lau Wang Lap  
Mr. Hu Hancheng (alternate to  
Mr. Hu Zheng and Mr. Lau Wang Lap)

## Board Committees

### Audit committee

Mr. Chung Kwok Mo John (*Chairman*)  
Mr. Wu Youjun  
Mr. Zhu Hongwei

### Remuneration committee

Mr. Chung Kwok Mo John (*Chairman*)  
Mr. Wu Youjun  
Mr. Zhu Hongwei  
Mr. Hu Zheng

### Nomination committee

Mr. Hu Zheng (*Chairman*)  
Mr. Chung Kwok Mo John  
Mr. Wu Youjun  
Mr. Zhu Hongwei

## Registered office

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## Headquarters

No. 173, South Xinming Road  
Huangpu  
Zhongshan City  
Guangdong Province, PRC

## Principal place of business in Hong Kong

Suite 1712, 17th Floor  
Shui On Centre  
6–8 Harbour Road  
Wanchai  
Hong Kong

## Compliance adviser

CMB International Capital Limited  
Units 1803–4, 18/F  
Bank of America Tower  
12 Harcourt Road  
Central  
Hong Kong

## Legal adviser

Chiu & Partners

## Auditor

Deloitte Touche Tohmatsu  
Certified Public Accountants

## Principal share registrar and transfer office in Bermuda

Butterfield Fulcrum Group (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke HM 08  
Bermuda

## Branch share registrar and transfer office in Hong Kong

Tricor Investor Services Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

## Principal bankers

Bank of China, Zhongshan Branch  
Industrial and Commercial Bank of China,  
Zhongshan Huangpu Sub-branch  
Industrial Bank Company Limited, Zhongshan Branch

## Share information

Stock code: 3363

## Company's website address

[www.zhengye-cn.com](http://www.zhengye-cn.com)



# Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Zhengye International Holdings Company Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I would like to express our appreciation for your support and trust in the Company.

The successful listing of the Company on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 3 June 2011 is a great achievement and an important milestone in the growth and development of the Group. The Board is committed to strengthening the transparency, internal control and corporate governance of the Group. To reciprocate your support, the Board will do its best to perform and strategize to meet the expectation of our shareholders through budget control, prudent business and operation policies with the aim of maximizing the value of the shares in the Company on the market. The Board has recently resolved to speed up the expansion of its packaging business in the coming three years. We will not only be establishing new plants in the Central China Region, but will also be in the Northern and Western China Regions. We have set a new three year plan and will commence its execution in the second half year of 2011.

The Board is pleased to present to you this report with the unaudited consolidated interim results of the Group for the six months ended 30 June 2011 (the "**period under review**").

Lastly, I would like to express my gratitude to the management, all of our staff, and the professional parties for their contribution, advice and support during the IPO process.

By order of the Board  
**Zhengye International Holdings Company Limited**  
**Hu Zheng**  
*Chairman*

Hong Kong, 22 August 2011



# Management Discussion and Analysis

## Business review

The Group is a manufacturer of paper-based packaging products and corrugated medium paper in the PRC. With the rapid growth of China's economy and a continued increase in the level of per capita income, market demand and consumption for electric appliances have been rising and the sales of our groups products benefit greatly by such good economic environment. The total turnover of the Group for the first six months of 2011 was RMB595.6 million, representing a growth of 23.3% compared to the same period in last year. The gross profit margin improved from 18.1% to 19.5%. Our net profit excluding those non-recurring income and expenses for the first six months of 2011 recorded a growth of 12.7% from RMB38.4 million to RMB43.3 million.

### Paper-based packaging products

The turnover of our packaging products recorded 28.3% growth from RMB275.9 million to RMB354.0 million, which was mainly due to the greater demand of household air-conditioners and electric appliances in the first six months of 2011. Our average selling price had increased which reflected the cost had been successfully transferred to our customers during the period under review. Therefore, our gross profit margin of our packaging business had improved. Also, the production of honeycomb products had started with higher profit margin attribute to the increased margin during the current period. During the period under review, the turnover of our honeycomb products was RMB21.7 million.

### 4 Corrugated medium paper

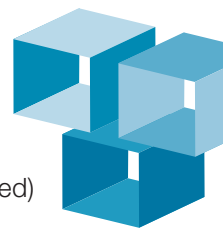
The turnover of corrugated medium paper recorded 16.7% growth from RMB207.1 million to RMB241.6 million, which was mainly due to the increase in the average selling price. Our price had been adjusted by about 15% in order to reflect the increase in cost. Our gross profit margin and sales quantity was keeping at a similar level compared to the same period of last year. The average utilization rate of our paper production line was over 95% which was in line with last year. We expect that the growth of paper production business will be minimal this year until a new paper production line, with 80,000 tonnes production capacity, starts to operate in December 2011.

## Prospects

Our Group strives to become the leading manufacturer of paper-based packaging products and corrugated medium paper in the PRC. We strive to use waste paper in our production, adopt stringent environmental protection measures and produce products that can substitute traditional packaging materials such as foam and plastic materials which are generally considered to cause unfavourable effects on the environment. In anticipation of future growth in the demand of paper-based packaging sector and to capture such expected growth, we will continue to seek opportunities to realise sustainable growth of our business.

In order to achieve this business objective, we intend to continue to expand our business and market share through the following strategies:

- a. To increase our production capacity within the Southern China region and to enhance our production efficiency and quality assurance and control systems;
- b. To establish new paper-based packaging production bases to achieve regional development;
- c. To enhance market penetration in existing markets and to provide value-added paper-based packaging solutions;



- d. To strengthen our growth through organic growth, selective acquisitions and partnerships;
- e. To invest in research and development initiatives in order to enhance our production capacity, production efficiency and product diversification; and
- f. To fully implement an improved ERP system for better management control and to enhance corporate governance

## Distribution and selling expenses

Our distribution and selling expenses increased by approximately 44.1% from RMB11.0 million for the six months ended 30 June 2010 to RMB15.8 million for the six months ended 30 June 2011, representing approximately 2.3% and 2.7% of the Group's turnover, respectively. The increases were mainly attributable to our business expansion and the increase in our transportation cost during the period under review.

## Administrative expenses

The Group's administrative expenses increased by approximately 30.0% from RMB20.5 million for the six months ended 30 June 2010 to RMB26.7 million for the six months ended 30 June 2011, representing approximately 4.2% and 4.5% of the Group's turnover, respectively. The increase was primarily due to the director emoluments of approximately RMB2.5 million incurred during the period under review.

## Finance costs

Finance costs of the Group increased by approximately 97.2% from RMB7.0 million for the six months ended 30 June 2010 to RMB13.8 million for the six months ended 30 June 2011 primarily due to an increase in interest rate in China and bank borrowings throughout the period under review.

Interest rates of bank borrowings were at variable rates ranging from 3.25% to 7.2% for the period under review, compared with 1.54% to 6% for the same period of last year.

The bank borrowings amount was RMB438.4 million as at 30 June 2011, compared with RMB283.2 million as at 30 June 2010.

## Liquidity, Financial Resources and Capital Structure

### Cash flow

For the six months ended 30 June 2011, net cash increased by RMB124.8 million. The increase in cash was primarily due to the net proceeds from the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") by way of global offering in June this year.

### Inventories

The inventories slightly increased to approximately RMB119.8 million as at 30 June 2011, compared to approximately RMB103.8 million as at 31 December 2010. It was primarily due to an increase in waste paper. During the period under review, the inventory turnover day was approximately 43 days (At 31 December 2010: 40 days) which was at a normal level.



### **Trade receivables**

As at 30 June 2011, the trade receivables amounted to RMB336.2 million (At 31 December 2010: RMB289.6 million). We extended to our paper-based packaging products customers credit period of 30 to 120 days and to our corrugated medium paper customers credit period of 30 to 75 days. The turnover day for trade receivables lengthened to 96 days (At 31 December 2010: 85 days) primarily due to the business expansion in our packaging business and as a way to attract and retain customers for the Group.

### **Trade payables**

As at 30 June 2011, the trade payables amounted to RMB241.1 million (At 31 December 2010: RMB260.9 million). Our Group managed to obtain a credit period of 30 to 120 days from the majority of our suppliers. The turnover day for trade payables was lengthened to 96 days (At 31 December 2010: 88 days), this is one of the measures of the Group to better control of its working capital because the capital requirement of the Group would be lowered if the credit period is utilized fully.

### **Gearing ratio**

As at 30 June 2011, the Group's bank and other borrowing balance amounted to RMB439.5 million (At 31 December 2010: RMB438.1 million).

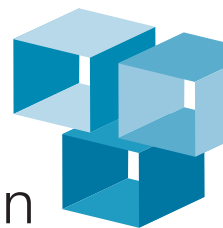
As at 30 June 2011, the gross gearing ratio was approximately 34% (As at 31 December 2010: 38%), which was calculated on the basis of the total amount of borrowings as a percentage of the total assets. The net gearing ratio, which was calculated on the basis of the amount of borrowings less cash and bank balances as a percentage of the shareholders' equity was 62% (As at 31 December 2010: 140%).

### **Pledge of assets**

As of 30 June 2011, we pledged certain assets with carrying value RMB425.3 million as collateral for the Group's borrowing (At 31 December 2010: RMB493.6 million). For detail, please refer to the note 18 to the condensed consolidated financial statements of the Company.

### **Contingent liabilities**

The Group had no significant contingent liabilities or litigation or arbitration of material importance as at 30 June 2011.



# Other Information

## Share Option Scheme

Pursuant to the written resolutions of the shareholders of the Company passed on 19 May 2011, the Company has adopted a share option scheme (the “**Scheme**”) whereby the Board may at its discretion grant options to such eligible participants (as defined in the Scheme) to subscribe for shares in the Company. The principal terms of the Scheme are set out in Appendix V to the prospectus of the Company dated 24 May 2011. The purpose of the Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution to the Group.

No share options had been granted under the Scheme or outstanding during the six month’s period ended 30 June 2011.

## Model Code for Securities Transactions by Directors

The Company has adopted the code of conduct regarding director’s securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). All Directors, after specific enquiries by the Company, confirmed that they had complied with the required standards as set out in the Model Code throughout the period under review.

## Purchase, Sale or Redemption of Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the period under review.

## Corporate Governance

The Company had applied the principles and complied with the code provisions in the Code on Corporate Governance Practices (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules throughout the period under review.

## Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to make recommendation to the Board on the appointment of the external auditors, review and supervise the financial reporting process and the internal control procedures of our Group. The Audit Committee consists of three independent non-executive Directors, namely Mr. Chung Kwok Mo John, Mr. Wu Youjun and Mr. Zhu Hongwei. Mr. Chung Kwok Mo John is the chairman of the Audit Committee.

## Remuneration Committee

The Company established the Remuneration Committee with written terms of reference. The primary duties of the Remuneration Committee are to make recommendations to the Board on the remuneration of our Directors and senior management and determine on behalf of the Board specific remuneration packages and conditions of employment for the Directors and senior management. The Remuneration Committee has four members, namely Mr. Chung Kwok Mo John, Mr. Wu Youjun, Mr. Zhu Hongwei and Mr. Hu Zheng. Mr. Chung Kwok Mo John is the chairman of the Remuneration Committee.





## Nomination Committee

The Company established the Nomination Committee with written terms of reference. The primary duty of Nomination Committee is to make recommendation to the Board regarding candidates to fill vacancies on the Board and senior management. The Nomination Committee consists of four members, namely Mr. Chung Kwok Mo John, Mr. Wu Youjun, Mr. Zhu Hongwei and Mr. Hu Zheng. Mr. Hu Zheng is the chairman of the Nomination Committee.

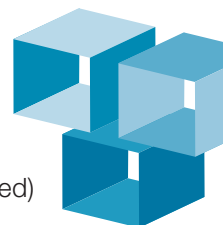
## Audit Committee Review

The Audit Committee of the Company (comprised all independent non-executive directors of the Company) has discussed with the management of the Company the internal control and financial reporting matters related to the preparation of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2011. It has also reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2011 with the management and the auditors of the Company and recommended them to the Board for approval.

## Director(s)' and Chief Executive(s)' Interests in the Securities of the Company or its Associated Corporations

As at 30 June 2011, the interests and short positions of the director(s) and chief executive(s) of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

Name of Director	Name of Group member/associated corporation	Capacity/Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding (Note 1)
Mr Hu Zheng	the Company	Interest of controlled corporation (Note 2)	191,250,000 ordinary shares of HK\$0.10 each	38.25%
	Gorgeous Rich Development Limited ("Gorgeous Rich")	Beneficial owner	1 ordinary share of US\$1.00	100%
Mr Hu Hancheng	the Company	Interest of controlled corporation (Note 3)	93,750,000 ordinary shares of HK\$0.10 each	18.75%
	Golden Century Assets Limited ("Golden Century")	Beneficial owner	1 ordinary share of US\$1.00	100%
Mr Hu Hanchao	the Company	Interest of controlled corporation (Note 4)	75,000,000 ordinary shares of HK\$0.10 each	15%
	Leading Innovation Worldwide Corporation ("Leading Innovation")	Beneficial owner	1 ordinary share of US\$1.00	100%
Mr Hu Hanxiang	the Company	Interest of controlled corporation (Note 5)	15,000,000 ordinary shares of HK\$0.10 each	3%
	Fortune View Services Limited ("Fortune View")	Beneficial owner	1 ordinary share of US\$1.00 each	100%



Notes:

1. All the interests stated above represent long positions. The percentage shown was the number of shares the relevant director or chief executive was interested in expressed as a percentage of the number of issued shares as at 30 June 2011.
2. These shares were held by Gorgeous Rich, which was wholly owned by Mr Hu Zheng. By virtue of the SFO, Mr Hu Zheng was deemed to be interested in the shares held by Gorgeous Rich.
3. These shares were held by Golden Century, which was wholly owned by Mr Hu Hancheng. By virtue of the SFO, Mr Hu Hancheng was deemed to be interested in the shares held by Golden Century.
4. These shares were held by Leading Innovation, which was wholly owned by Mr Hu Hanchao. By virtue of the SFO, Mr Hu Hanchao was deemed to be interested in the shares held by Leading Innovation.
5. These shares were held by Fortune View, which was wholly owned by Mr Hu Hanxiang. By virtue of the SFO, Mr Hu Hanxiang was deemed to be interested in the shares held by Fortune View.

### Substantial shareholders' interests in the securities of the Company

As at 30 June 2011, so far as are known to any director(s) or chief executive(s) of the Company, the following parties (other than director(s) or chief executive(s) of the Company) were recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name of Shareholder	Capacity/Nature of interest	Number and class of shares held in the Company (Note 1)	Approximate percentage of shareholding (Note 1)
Gorgeous Rich Development Limited ("Gorgeous Rich") (Note 2)	Beneficial owner	191,250,000 ordinary shares of HK\$0.10 each	38.25%
Ms Li Lifen (Note 2)	Interest of spouse	191,250,000 ordinary shares of HK\$0.10 each	38.25%
Golden Century Assets Limited ("Golden Century") (Note 3)	Beneficial owner	93,750,000 ordinary shares of HK\$0.10 each	18.75%
Ms Li Si Yuan (Note 3)	Interest of spouse	93,750,000 ordinary shares of HK\$0.10 each	18.75%
Leading Innovation Worldwide Corporation ("Leading Innovation")	Beneficial owner	75,000,000 ordinary shares of HK\$0.10 each	15%
Ms He Lijuan (Note 4)	Interest of spouse	75,000,000 ordinary shares of HK\$0.10 each	15%



Notes:

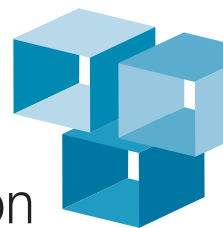
1. All the interests stated above represent long positions. The percentage shown was the number of shares in the Company that the relevant director or chief executive was interested in expressed as a percentage of the number of issued shares in the Company as at 30 June 2011.
2. Gorgeous Rich is wholly-owned by Mr Hu Zheng. By virtue of the SFO, Mr Hu Zheng was deemed to be interested in the shares held by Gorgeous Rich. Ms Li Lifan is the spouse of Mr Hu Zheng. Under the SFO, Ms Li Lifan was taken to be interested in the same number of shares in which Mr Hu Zheng was interested.
3. Golden Century is wholly-owned by Mr Hu Hancheng. By virtue of the SFO, Mr Hu Hancheng was deemed to be interested in the shares held by Golden Century. Ms Li Si Yuan is the spouse of Mr Hu Hancheng. Under the SFO, Ms Li Si Yuan was taken to be interested in the same number of shares in which Mr Hu Hancheng was interested.
4. Leading Innovation is wholly-owned by Mr Hu Hanchao. By virtue of the SFO, Mr Hu Hanchao was deemed to be interested in the shares held by Leading Innovation. Ms He Lijuan is the spouse of Mr Hu Hanchao. Under the SFO, Ms He Lijuan was taken to be interested in the same number of shares in which Mr Hu Hanchao was interested.

## Use of Net Proceeds from the Company's Initial Public Offering

The Company was officially listed on the main board of the Stock Exchange on 3 June 2011 and raised net proceeds of approximately HK\$140.9 million by way of global offering (as detailed in the prospectus issued by the Company on 24 May 2011). As at 30 June 2011, the net proceeds had not yet been utilized and were deposited with banks in the PRC.

## Events After the Reporting Period

As at the date of approval of this interim condensed financial information, the Group has no event after the reporting period that need to be disclosed.



# Report on Review of Interim Financial Information

**Deloitte.**  
**德勤**

Deloitte Touche Tohmatsu  
35/F One Pacific Place  
88 Queensway  
Hong Kong

德勤·關黃陳方會計師行  
香港金鐘道88號  
太古廣場一座35樓

**TO THE BOARD OF DIRECTORS OF  
ZHENGYE INTERNATIONAL HOLDINGS COMPANY LIMITED**

*(incorporated in Bermuda with limited liability)*

## Introduction

We have reviewed the interim financial information set out on pages 12 to 30, which comprise the condensed consolidated statement of financial position of Zhengye International Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

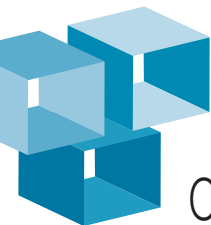
Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period ended 30 June 2010 and the relevant explanatory notes disclosed in the interim financial information have not been reviewed in accordance with HKSRE 2410.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong  
22 August 2011



# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	NOTES	Six months ended 30 June	
		2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Revenue	4	595,580	483,024
Cost of sales		(479,364)	(395,797)
Gross profit		116,216	87,227
Other income	5	2,445	3,715
Other gains and losses	6	355	14,083
Distribution and selling expenses		(15,844)	(10,995)
Administrative expenses		(26,671)	(20,526)
Finance costs	7	(13,807)	(7,001)
Listing expenses		(11,810)	(2,524)
Research and development expenses		(11,902)	(4,240)
Profit before tax		38,982	59,739
Income tax expense	8	(7,511)	(9,745)
Profit and total comprehensive income for the period	9	31,471	49,994
Earnings per share — Basic (RMB)	11	0.08	0.13



# Condensed Consolidated Statement of Financial Position

At 30 June 2011

	NOTES	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	299,755	284,070
Prepaid lease payments		57,391	58,075
Deposits paid for acquisition of property, plant and equipment		18,160	7,773
Deposit for leasehold land		6,750	6,750
		<b>382,056</b>	356,668
<b>CURRENT ASSETS</b>			
Inventories		119,758	103,801
Trade and other receivables	13	584,528	555,673
Amount due from a related party	21	450	—
Prepaid lease payments		1,368	1,368
Pledged bank deposits		53,388	98,239
Bank balances and cash		156,312	31,472
		<b>915,804</b>	790,553
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	377,033	396,402
Obligations under finance leases		3,750	3,528
Amounts due to directors	21	2,053	—
Amounts due to related parties	21	981	1,610
Bank and other borrowings	15	439,502	438,089
Tax liabilities		5,135	2,552
		<b>828,454</b>	842,181
<b>NET CURRENT ASSETS (LIABILITIES)</b>		<b>87,350</b>	(51,628)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>469,406</b>	305,040



Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2011

	NOTES	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
<b>NON-CURRENT LIABILITIES</b>			
Obligations under finance leases		11,443	13,347
Deferred tax liabilities	16	2,250	1,907
		<b>13,693</b>	15,254
		<b>455,713</b>	289,786
<b>CAPITAL AND RESERVES</b>			
Share capital	17	41,655	17
Reserves		414,058	289,769
Total equity		<b>455,713</b>	289,786

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The condensed consolidated financial statements on pages 12 to 30 were approved and authorised for issue by the Board of Directors on 22 August 2011 and are signed on its behalf by:

**Hu Zheng**  
DIRECTOR

**Hu Hancheng**  
DIRECTOR

Zhengye International Holdings Company Limited



# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000 (Note i)	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2010 (audited)	12,610	—	51,892	(14,539)	264,532	314,495
Profit and total comprehensive income for the period	—	—	—	—	49,994	49,994
Dividends	—	—	—	—	(22,215)	(22,215)
At 30 June 2010 (unaudited)	12,610	—	51,892	(14,539)	292,311	342,274
At 1 January 2011 (audited)	<b>17</b>	—	<b>60,624</b>	<b>(23,239)</b>	<b>252,384</b>	<b>289,786</b>
Profit and total comprehensive income for the period	—	—	—	—	<b>31,471</b>	<b>31,471</b>
Arising from exchange of shares upon Group Reorganisation (Note ii)	<b>150</b>	—	—	<b>(150)</b>	—	—
New issue of shares by way of public offering	<b>10,414</b>	<b>138,503</b>	—	—	—	<b>148,917</b>
Shares capitalization	<b>31,074</b>	<b>(31,074)</b>	—	—	—	—
Transaction costs attributable to issue of shares	—	<b>(14,461)</b>	—	—	—	<b>(14,461)</b>
At 30 June 2011 (unaudited)	<b>41,655</b>	<b>92,968</b>	<b>60,624</b>	<b>(23,389)</b>	<b>283,855</b>	<b>455,713</b>

## Notes:

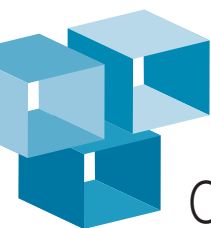
- (i) In accordance with the relevant laws and regulations of the PRC, the subsidiaries established in the PRC are required to provide for PRC statutory reserves, by way of appropriations from their respective statutory net profit (based on the subsidiary's PRC statutory financial statements) but before dividend distributions.

In accordance with the articles of association of certain subsidiaries established in the PRC, those subsidiaries are required to transfer 10% of the profit after taxation to the statutory reserves.

Certain subsidiaries' appropriations to the funds are made at the discretion of the subsidiary's board of directors. The board of directors shall decide on the amounts to be appropriated based on the profitability of each subsidiary each year.

- (ii) The amount represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries comprising the Group prior to the Group Reorganisation (as explained in the paragraph headed "Further information about our Company and our subsidiaries — 4. Group Reorganisation" in Appendix V to the prospectus dated 24 May 2011 issued by the Company ("Prospectus")).





# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
<b>OPERATING ACTIVITIES</b>		
Profit before tax	38,982	59,739
Adjustments for:		
Finance costs	13,807	7,001
Interest income	(878)	(858)
Depreciation of property, plant and equipment	11,385	8,977
Amortisation of prepaid lease payments	684	684
Loss (gain) on disposals of property, plant and equipment	12	(14,106)
Operating cash flows before movements in working capital	63,992	61,437
Increase in inventories	(15,957)	(6,337)
Increase in trade and other receivables	(28,855)	(106,139)
Increase in amount due from a related party	(450)	—
(Decrease) increase in trade and other payables	(20,075)	36,050
Increase in amounts due to directors	2,053	—
Decrease in amounts due to related parties	(629)	—
Cash generated from (used in) operations	79	(14,989)
PRC Enterprise Income Tax paid	(4,585)	(6,616)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(4,506)</b>	<b>(21,605)</b>
<b>INVESTING ACTIVITIES</b>		
Interest received	878	858
Purchase of property, plant and equipment	(18,848)	(37,938)
Proceeds from disposals of property, plant and equipment	245	14,711
Deposits paid for acquisition of property, plant and equipment	(18,160)	(10,167)
Deposits paid for leasehold land	—	(6,750)
Advance to directors	—	(1,113)
Repayment from directors	—	2,066
Advance to related parties	—	(2,964)
Repayment from related parties	—	6,051
Decrease in pledged bank deposits	44,851	19,992
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>8,966</b>	<b>(15,254)</b>



Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2011

	<b>Six months ended 30 June</b>	
	<b>2011</b> <b>RMB'000</b> <b>(unaudited)</b>	<b>2010</b> <b>RMB'000</b> <b>(unaudited)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of new shares pursuant to the public offerings, net of listing expenses	<b>134,456</b>	—
Interest paid	<b>(13,807)</b>	(7,001)
Addition in obligation under finance lease	—	11,120
Repayment of obligations under finance leases	<b>(1,682)</b>	(2,745)
Advance from directors	—	410
Repayment to directors	—	(1,656)
Advance from related parties	—	9,728
New bank and other borrowings raised	<b>369,705</b>	263,585
Repayment of bank and other borrowings	<b>(368,292)</b>	(235,141)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>120,380</b>	38,300
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>124,840</b>	1,441
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>31,472</b>	34,068
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>156,312</b>	35,509



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 1. GENERAL INFORMATION

Zhengye International Holdings Company Limited (the "Company") was incorporated in Bermuda on 18 August 2010, as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is located in Zhongshan City and Zhuhai City, Guangdong Province, the People's Republic of China (the "PRC"). The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 3 June 2011.

The principal activity of the Company is investment holding and its subsidiaries are mainly engaged in manufacturing and sale of paper, paperboard and paper-based packaging products. The Company and its subsidiaries are hereinafter collectively referred to as the "Group".

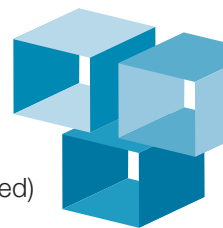
The condensed consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate (the "functional currency").

## 2. BASIS OF PREPARATION

Pursuant to the Group Reorganisation, the Company became the holding company of TYAZ International Limited and its subsidiaries on 4 March 2011 upon completion of the Group Reorganisation. Details of the Group Reorganisation are more fully explained in the paragraph headed "Further information about our Company and our subsidiaries — 4. Group Reorganisation" in Appendix V to the Prospectus.

The Group resulting from the Group Reorganisation is considered as a continuing entity. Accordingly, the condensed consolidated financial statements of the Group have been prepared using the principles of merger accounting which are consistent with the principles as stated in Accounting Guideline 5 "Merger Accounting under Common Control Combinations" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated statements of comprehensive income, the condensed consolidated statements of changes in equity and the condensed consolidated statements of cash flows of the Group for the six months ended 30 June 2011 and 2010 have been prepared on the basis as if the current group structure had been in existence throughout the periods. The condensed consolidated statement of financial position of the Group as at 31 December 2010 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at that date.

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 and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA .



### 3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values on initial recognition.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's financial information for the year ended 31 December 2010 included in the Accountants' Report in Appendix I to the Prospectus.

In the current interim period, the Group has applied, for the first time, the following revised Hong Kong Financial Reporting Standards ("HKFRS"s), revised Hong Kong Accounting Standards ("HKAS"s), amendments and interpretation ("INT") (hereinafter collectively referred to as "new or revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2011.

HKFRS 1 (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosure
HKAS 32 (Amendment)	Classification of Rights Issues
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of these new and revised HKFRSs in the current interim periods had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting period.

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters <sup>1</sup>
HKFRS 7 (Amendments)	Disclosure — Transfer of Financial Assets <sup>1</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKFRS 10	Consolidated Financial Statements <sup>3</sup>
HKFRS 11	Joint Arrangements <sup>3</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>3</sup>
HKFRS 13	Fair Value Measurement <sup>3</sup>
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>4</sup>
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets <sup>2</sup>
HKAS 19 (Revised 2011)	Employee Benefits <sup>3</sup>
HKAS 27 (Revised 2011)	Separate Financial Statements <sup>3</sup>
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2012

The directors of the Company anticipate that the application of the new or revised standards, amendments and interpretations will have no material impact on the results and financial position of the Group.



For the six months ended 30 June 2011

#### 4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in supply of corrugated medium paper and paper-based packaging products.

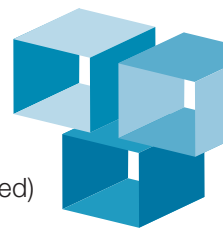
The Group's reportable segments under HKFRS 8 are identified as two main operations:

- Paper-based packaging: this segment produces and sells paper-based packaging products.
- Corrugated medium paper: this segment produces and sells corrugated medium paper.

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

	Six months ended 30 June 2010 (unaudited)		
	Paper-based packaging RMB'000	Corrugated medium paper RMB'000	Total RMB'000
<b>REVENUE</b>			
External sales	275,921	207,103	483,024
Inter-segment sales	—	64,227	64,227
<b>Total</b>	<b>275,921</b>	<b>271,330</b>	<b>547,251</b>
<b>SEGMENT RESULT</b>	<b>21,811</b>	<b>41,232</b>	<b>63,043</b>
Unallocated corporate expenses, net			(3,304)
Profit before tax			59,739

	Six months ended 30 June 2011 (unaudited)		
	Paper-based packaging RMB'000	Corrugated medium paper RMB'000	Total RMB'000
<b>REVENUE</b>			
External sales	353,987	241,593	595,580
Inter-segment sales	—	61,738	61,738
<b>Total</b>	<b>353,987</b>	<b>303,331</b>	<b>657,318</b>
<b>SEGMENT RESULT</b>	<b>29,471</b>	<b>24,102</b>	<b>53,573</b>
Unallocated corporate expenses, net			(14,591)
Profit before tax			38,982



For the six months ended 30 June 2011

#### 4. REVENUE AND SEGMENT INFORMATION (Continued)

No reconciliation of reportable segment revenues is provided as the total revenues for reportable segments excluded inter-segment revenue is the same as the Group's revenue.

Segment profit represented the profit earned by each segment without allocation of legal and professional fee, bank interest income and other corporate income and expenses.

Information of the operating segments of the Group reported to the chief operating decision maker for the purposes of resource allocation and performance assessment does not include any assets and liabilities. Accordingly, no segment assets and liabilities are presented.

#### 5. OTHER INCOME

	Six months ended 30 June	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Interest income	878	858
Management fee income from a related party	—	578
Sales of electricity and steam	—	1,069
Government grant	1,220	957
Sundry income	347	253
	<b>2,445</b>	<b>3,715</b>

#### 6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Exchange gain (loss), net	367	(23)
(Loss) gain on disposals of property, plant and equipment	(12)	14,106
	<b>355</b>	<b>14,083</b>



For the six months ended 30 June 2011

## 7. FINANCE COSTS

	Six months ended 30 June	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Interest on:		
Bank and other borrowings wholly repayable within five years	12,960	6,221
Finance lease	847	780
Total	13,807	7,001

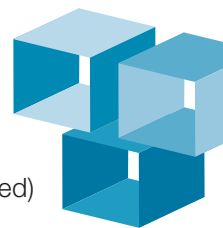
## 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
The charge comprises:		
Current tax		
PRC Enterprise Income Tax	7,168	9,026
Deferred tax (note 16)		
Current period	343	719
	7,511	9,745

The tax charge for the period represents income tax in the PRC which is calculated at the prevailing tax rate on the taxable income of subsidiaries established in the PRC.

No provision for Hong Kong Profits Tax has been made in the condensed consolidated statement of comprehensive income as the Group had no assessable profit arising in Hong Kong for both periods.

Under the New EIT Law and implementation regulations issued by the State Council, withholding tax at 10% or a lower treaty rate is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to profits of the PRC subsidiaries reported in accordance with local accounting principles amounting to approximately RMB191,751,000 at 30 June 2011 (31 December 2010: RMB144,751,000), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.



For the six months ended 30 June 2011

## 9. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Profit for the period has been arrived at after charging:		
Amortisation of prepaid lease payments	684	684
Depreciation of property, plant and equipment	11,385	8,977

## 10. DIVIDENDS

During the period ended 30 June 2010, dividend of RMB22,215,000 has been declared by a subsidiary to its then shareholder.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2011.

## 11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Profit for the period attributable to owners of the Company	31,471	49,994
Weighted average number of ordinary shares for the purpose of basic earnings per share	394,337,017	375,000,000

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company for the period and the weighted average number of ordinary shares for the purpose of the basic earnings per share assuming the capitalisation issue as disclosed in notes 17(iii) and 17(iv) occurred on the first day of the periods, and the assumption that the Group Reorganisation had been effective on 1 January 2010.

No diluted earnings per share are presented for both periods as the Company has no potential ordinary shares outstanding during both periods.





For the six months ended 30 June 2011

## 12. PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment during the period is summarised as follows:

	<b>RMB'000</b>
Carrying amounts as at 1 January 2010 (audited)	223,926
Additions of plant and equipment	54,562
Disposals of plant and equipment	(605)
Depreciation for the period	(8,977)
Carrying amounts as at 30 June 2010 (unaudited)	268,906
Carrying amounts as at 1 January 2011 (audited)	<b>284,070</b>
Additions of plant and equipment	<b>27,327</b>
Disposals of plant and equipment	<b>(257)</b>
Depreciation for the period	<b>(11,385)</b>
Carrying amounts as at 30 June 2011 (unaudited)	<b>299,755</b>

## 13. TRADE AND OTHER RECEIVABLES

	<b>30 June 2011 RMB'000 (unaudited)</b>	31 December 2010 RMB'000 (audited)
Trade receivables	<b>336,200</b>	289,559
Advances to suppliers	<b>2,224</b>	2,758
Less: Allowance for doubtful debts	<b>—</b>	(1,219)
	<b>2,224</b>	1,539
Bills receivables	<b>227,202</b>	240,134
Prepayments	<b>6,487</b>	4,727
Other receivables	<b>12,415</b>	19,714
	<b>246,104</b>	264,575
Total trade and other receivables	<b>584,528</b>	555,673



### 13. TRADE AND OTHER RECEIVABLES (Continued)

The Group allows a credit period of 30 to 120 days to its trade customers except for the new customers newly accepted which payment is made when goods are delivered. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
0-60 days	198,273	245,631
61-90 days	126,064	26,785
91-180 days	11,697	16,969
Over 180 days	166	174
	<b>336,200</b>	<b>289,559</b>

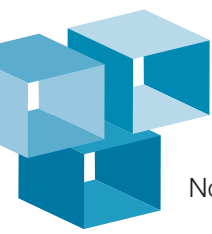
The carrying amounts of the Group's bills receivables is aged within 180 days.

### 14. TRADE AND OTHER PAYABLES

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Trade payables	241,051	260,905
Bills payables	66,447	76,628
Other taxes payables	27,839	23,706
Payroll and welfare payable	23,878	16,249
Listing expenses	3,327	5,054
Construction payables	7,544	6,838
Others	6,947	7,022
	<b>377,033</b>	<b>396,402</b>

The following is an aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period:

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
0-60 days	211,214	220,127
61-90 days	14,847	17,733
91-180 days	12,647	21,687
Over 180 days	2,343	1,358
	<b>241,051</b>	<b>260,905</b>



For the six months ended 30 June 2011

## 15. BANK AND OTHER BORROWINGS

	<b>30 June 2011 RMB'000 (unaudited)</b>	31 December 2010 RMB'000 (audited)
Bank loans, secured	<b>438,436</b>	433,919
Other loans, secured	<b>1,066</b>	4,170
	<b>439,502</b>	438,089

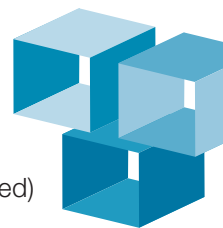
During the current period, the Group obtained new bank borrowings amounting to approximately RMB369,705,000 (six months ended 30 June 2010: RMB263,585,000).

The interest rate of the bank borrowings at 30 June 2011 varied from 3.25% to 7.2% (31 December 2010: 1.54% to 6%) per annum.

## 16. DEFERRED TAXATION

The following are the major deferred taxation liabilities recognised and movement thereon during the current accounting period:

	<b>Depreciation differences RMB'000</b>	<b>Undistributable profit of subsidiaries RMB'000</b>	<b>Total RMB'000</b>
At 1 January 2010 (audited)	1,197	181	1,378
Charge for the period	349	370	719
At 30 June 2010 (unaudited)	1,546	551	2,097
At 1 January 2011 (audited)	<b>1,907</b>	—	<b>1,907</b>
Charge for the period	<b>343</b>	—	<b>343</b>
At 30 June 2011 (unaudited)	<b>2,250</b>	—	<b>2,250</b>



## 17. SHARE CAPITAL

		Number of shares	Share capital HK\$
Ordinary shares of HK\$0.10 each			
Authorised:			
At 1 January 2011	(i)	2,000,000	200,000
Increase in authorised capital on 4 March 2011	(ii)	998,000,000	99,800,000
At 30 June 2011		1,000,000,000	100,000,000
Issued and fully paid:			
At 1 January 2011	(i)	1	0.1
Issue of shares on 4 March 2011	(iii)	1,999,999	200,000
Shares capitalisation	(iv)	373,000,000	37,300,000
New issue of shares by way of public offering	(v)	125,000,000	12,500,000
At 30 June 2011		500,000,000	50,000,000
			RMB'000
Presented as			41,655

Notes:

- (i) On 18 August 2010, the Company was incorporated in Bermuda under the Companies Act as an exempted company with an authorised share capital of HK\$200,000 divided into 2,000,000 Shares. On 1 September 2010, one Share was allotted and issued, nil paid, to Mr. Hu Zheng.
- (ii) On 4 March 2011, the authorised share capital of the Company was increased from HK\$200,000 divided into 2,000,000 shares of a par value of HK\$0.10 each to HK\$100,000,000 divided into 1,000,000,000 shares with a par value of HK\$0.10 each, by the creation of 998,000,000 ordinary shares with a par value of HK\$0.10 each.
- (iii) On 4 March 2011, the Company issued 1,999,999 ordinary shares of HK\$0.1 each pursuant to the Group Reorganisation in exchange for the entire issued share capital of TYAZ International Limited and became the ultimate holding company of the Group.
- (iv) Pursuant to written resolutions on 19 May 2011, the Directors resolved to capitalise HK\$37,300,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par of 373,000,000 Shares as a result of Global Offering (as defined in the "Prospectus").
- (v) In connection with the Company's initial public offering, 125,000,000 Shares of HK\$0.10 each were issued at a price of HK\$1.43 for a total cash consideration, before expenses, of approximately HK\$178,750,000 (equivalent to RMB148,917,000). Dealings in the Shares on the Main Board of the Stock Exchange commenced on 3 June 2011.



For the six months ended 30 June 2011

## 18. PLEDGE OF ASSETS

The following assets were pledged to secure certain banking and other facilities granted to the Group at the end of the reporting period:

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Buildings and construction in progress	39,970	40,583
Plant and machinery	128,832	132,552
Land use right	58,759	59,443
Trade receivables	86,712	127,371
Bills receivables	10,000	—
Pledged bank deposits	53,388	98,239
Inventories	47,631	35,397
	<b>425,292</b>	<b>493,585</b>

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## 19. OPERATING LEASES

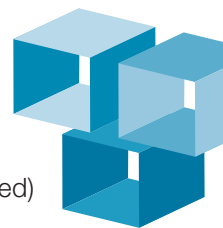
### The Group as lessee

At the end of the reporting period, the Group had future minimum lease payments under non-cancellable operating leases in respect of leased properties are as follows:

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Within one year	8,939	7,848
On the second to fifth year inclusive	6,327	9,792
After five years	5,082	5,161
	<b>20,348</b>	<b>22,801</b>

Operating lease payments represent rentals payable by the Group for certain of its office premises and plant and equipment. Leases are negotiated for an average term of one to five years. Rentals are fixed at the date of signing of lease agreements.

Zhengye International Holdings Company Limited



## 20. CAPITAL COMMITMENTS

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Capital expenditure in respect of acquisition of new property, plant and equipment and leasehold land contracted for but not provided in the consolidated financial statements	81,808	52,013

## 21. RELATED PARTIES TRANSACTIONS AND BALANCES

### (a) Name and relationship

Name	Relationship
中山市正業(集團)有限公司 Zhongshan City Zheng Ye (Group) Company Limited ("Zheng Ye Group")	With the common controlling shareholders
中山市中發設備租賃有限公司 Zhongshan City Zhong Fa Equipment Rental Company Limited ("Zhong Fa Equipment")	With the common controlling shareholders

### (b) Related parties transactions

	Six months ended 30 June	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Rental expenses of equipments		
— Zhong Fa Equipment	—	2,451
— Zheng Ye Group	—	407
	—	2,858
Rental expenses of property		
— Zhong Fa Equipment	—	300
— Zheng Ye Group	2,172	1,722
	2,172	2,022
Rental expenses of vehicles		
— Zhong Fa Equipment	99	99
Management fee income		
— Zheng Ye Group	—	578
Purchase of property, plant and equipment		
— Zhong Fa Equipment	—	23,469
— Zheng Ye Group	—	4,361
	—	27,830



For the six months ended 30 June 2011

## 21. RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

### (c) Operating lease commitments to related parties as lessee

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Within one year		
— Zheng Fa Equipment	198	—
— Zheng Ye Group	4,344	4,344
	4,542	4,344
On the second to fifth year inclusive		
— Zheng Fa Equipment	297	—
— Zheng Ye Group	1,350	4,344
	1,647	3,522
	6,189	7,866

The above commitments are included in the amounts disclosed in the note 19.

### (d) Related parties balances

Amount due from a related party, amounts due to directors and amounts due to related parties are separately disclosed on the Condensed Consolidated Statement of Financial Position.

### (e) Remuneration of key management

The remuneration of directors of the Company and other members of key management during the period were as follows:

	Six months ended 30 June	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Salaries and other benefits	3,916	1,362
Retirement benefits scheme contributions	47	28
	3,963	1,390