



YOUYUAN INTERNATIONAL HOLDINGS LIMITED

優源國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2268)



INTERIM REPORT
2015

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr Ke Wentuo (柯文托)
Mr Ke Jixiong (柯吉熊)
Mr Cao Xu (曹旭)
Mr Zhang Guoduan (張國端)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Prof. Zhang Daopei (張道沛)
Prof. Chen Lihui (陳禮輝)
Mr Chow Kwok Wai (周國偉)

AUDIT COMMITTEE

Mr Chow Kwok Wai (*Chairman*)
Prof. Zhang Daopei
Prof. Chen Lihui

REMUNERATION COMMITTEE

Prof. Chen Lihui (*Chairman*)
Prof. Zhang Daopei
Mr Ke Wentuo

NOMINATION COMMITTEE

Prof. Zhang Daopei (*Chairman*)
Prof. Chen Lihui
Mr Ke Wentuo

COMPANY SECRETARY

Mr Wong Yat Sum, *FCCA, FCPA*

AUTHORISED REPRESENTATIVES

Mr Ke Wentuo
Mr Wong Yat Sum

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman, KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS IN THE PRC

Xibin Industrial Zone
Jinjiang City
Fujian Province
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1601, 16th Floor
Bonham Trade Centre
50 Bonham Strand
Sheung Wan, Hong Kong

COMPANY'S WEBSITE

www.youyuan.com.hk

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
2268

PRINCIPAL BANKERS

In Hong Kong:

China CITIC Bank International Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

In the PRC:

Bank of China
China Merchants Bank
China CITIC Bank
Industrial and Commercial Bank of China Limited

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISORS

Hong Kong law:

Orrick, Herrington & Sutcliffe

PRC law:

King & Wood Mallesons

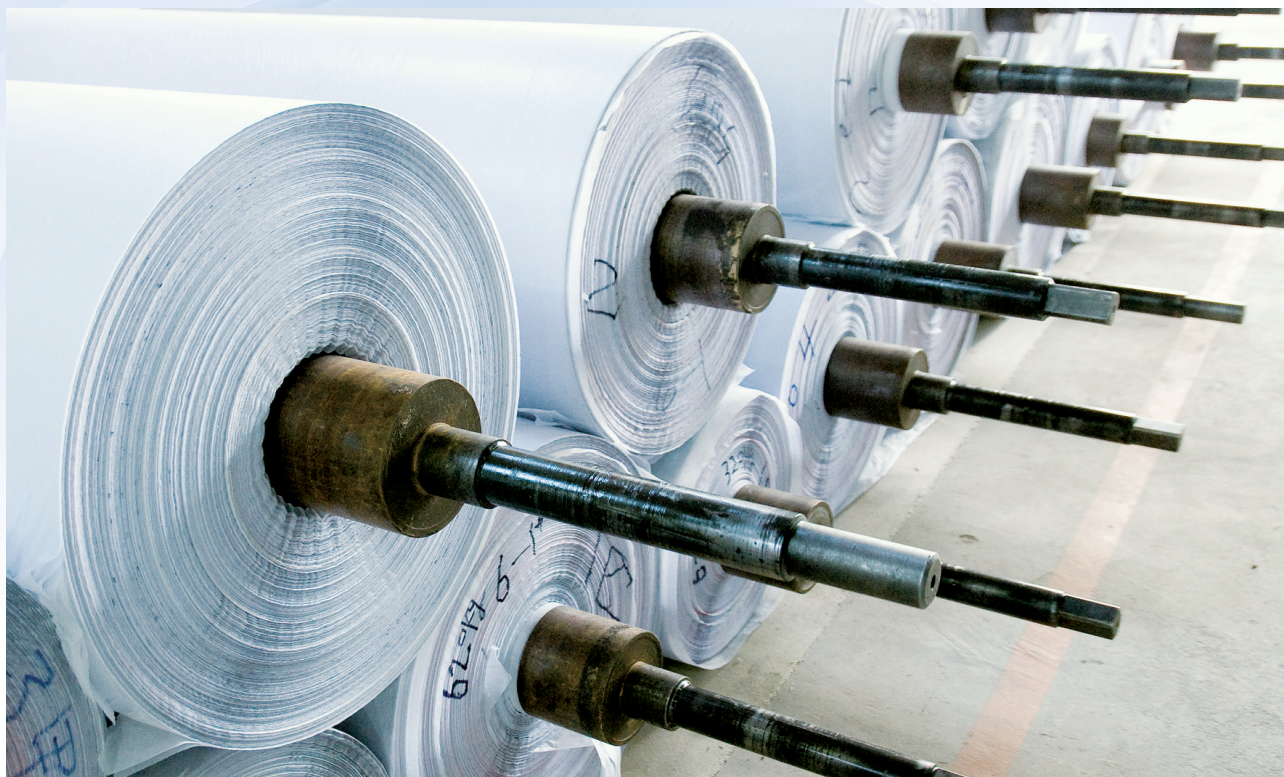
Cayman Islands law:

Conyers Dill & Pearman

INVESTORS AND MEDIA RELATIONS

iPR Ogilvy Ltd

BUSINESS REVIEW AND OUTLOOK



BUSINESS REVIEW

The paper manufacturing industry during the first half of 2015 saw bottoming out of prices of raw materials including wood pulp, recycled and recovered paper in the first quarter, with modest rebounds in the second quarter. This was attributed to the fact that the industry as a whole had stopped commissioning construction of new capacities since 2014, while non-environmental-friendly and obsolete capacities continued to retire and be decommissioned from production. The industry as a whole underwent a brief low season in raw materials procurement since the beginning of the period under review due to low demand for products and the need of most manufacturers for digesting their inventories.

Such slow raw materials procurement market landscape experienced a swift change since March 2015 as product demand revived, raw materials inventories depleted and the fact that substantial capacities of raw materials had been decommissioned from production due to the previous prolonged period of sluggishness.

Meanwhile, since the second quarter, prices and demand for finished paper products also experienced bottoming out and rebound, yet the magnitudes of which were not comparable to those of the raw materials.

As a result, the Group experienced modest growth in demand for products during the period under review, with a modest decline in the overall gross margin.

The Group continued to leverage its edge in proprietary production of de-inked pulp, suffered a less severe decline in its gross margin than that of the industry average, while product prices stayed firm and demand experienced healthy growth during the period under review.



The results of our Group were generally in line with the headline economic figures of China during the period under review. Retail sales for the first five months of 2015 in China rose 10.4% year on year, according to the National Bureau of Statistics. In the first five months of 2015, the industrial output in China grew 6.2% year on year.

SEGMENTAL ANALYSIS

Wrapping tissue paper

Wrapping tissue paper includes double-sided machine-finished (“MF”) tissue paper, single-sided MF tissue paper, food wrapping tissue paper, semi-transparent wrapping tissue paper and colour wrapping tissue paper.

Total revenue generated from wrapping tissue paper was RMB585.3 million, contributed to approximately 75.2% of the Group’s revenue for this reporting period.

Copy paper

Revenue generated from copy paper remained relatively stable at RMB81.8 million, contributed to approximately 10.5% of the Group’s revenue for this reporting period. 1 copy paper production line with designed annual production capacity of 19,000 tonnes was suspended from operation for maintenance and upgrade works during this reporting period. The works represent part of the regular maintenance routine for the facilities to support product quality at high levels and improve efficiency.

Wall paper backing paper

Revenue generated from wall paper backing paper was RMB37.4 million, contributed to approximately 4.8% of the Group’s revenue for this reporting period.

Other products

Other products, comprising paper towel and ivory boards, generated revenue of RMB73.7 million during this reporting period and contributed to approximately 9.5% of the Group’s revenue for this reporting period.

BUSINESS REVIEW AND OUTLOOK

GEOGRAPHICAL ANALYSIS

The Group's revenue was generated from mainland China. Eastern China and Southern China were the largest markets of the Group (by breakdown of locations from which sales were originated), with over 91% of Group's revenue for the reporting period being derived from these two regions.

OPERATIONAL ANALYSIS

As at 30 June 2015, the Group operated 34 production lines with designed annual production capacities aggregating 345,000 tonnes, including 215,000 tonnes for wrapping tissue paper, 49,000 tonnes for copy paper, 35,000 tonnes for wall paper backing paper and 46,000 tonnes for other products.

The Group is also equipped with 3 in-house de-inked pulp production lines with designed annual production capacities aggregating 150,000 tonnes for its own use.

PROSPECTS

The development of the supply and demand dynamics for the paper manufacturing industry as a whole, though not totally in tandem during the first half, are heading towards a trend of recovery across the board. With the traditional consumption hot season kicking in the second half, prices of packaging paper products will revive and trend up more readily, supporting recovery of gross margins.

With no commissioning of construction of new capacities, there will be less and less newly-built capacities, primarily from those which were commissioned to be built some 12-18 months ago, commencing commercial production. Coupled with accelerating decommissioning or retirement of non-environmental friendly or obsolete capacities, activities in the paper manufacturing industry as a whole will be more concentrated than ever among stronger players with significant scales. The order in pricing has been restored, lending support to average selling prices and margins. The Group's edges in its proprietary de-inked pulp production capacity and abundant inventory of recovered paper will become more prominent than ever against the peers, notably in the area of gross margin recovery.

Revival of activities of the residential property market in China will support demand for wall paper backing paper as well. With these, the Group remains cautiously optimistic about its results for the second half of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

Revenue of the Group for the six months ended 30 June 2015 was RMB778.2 million, representing an increase of approximately 9.3% from RMB712.0 million for the six months ended 30 June 2014. Profit and total comprehensive income attributable to owners of the Company decreased by approximately 15.6% from RMB132.6 million for the six months ended 30 June 2014 to RMB111.9 million for the six months ended 30 June 2015. The decreases in profit and total comprehensive income attributable to owners of the Company were attributable to lower overall average selling price of the Group's products and higher income tax expenses and finance costs, the effect of which was partly set off by the lower costs from increased use of de-inked pulp.

Basic earnings per share for the six months ended 30 June 2015 decreased to RMB0.094 per share when compared with RMB0.110* per share for the six months ended 30 June 2014, based on the profit attributable to owners of the Company of RMB111.9 million (For the six months ended 30 June 2014: RMB132.6 million) and the weighted average of 1,185,838,571 shares (For the six months ended 30 June 2014: 1,210,000,000* shares) in issue during the reporting period.

Gross profit

Gross profit of the Group increased modestly to RMB230.8 million for the six months ended 30 June 2015 from RMB222.9 million for the six months ended 30 June 2014. Overall gross profit margin of the Group slightly decreased from 31.3% for the six months ended 30 June 2014 to 29.7% for the six months ended 30 June 2015.

Other income and other gains and losses

Other income and other gains and losses of the Group increased from a net gain of RMB3.7 million for the six months ended 30 June 2014 to a net gain of RMB4.8 million for the six months ended 30 June 2015, mainly due to increase in bank interest income.

Selling and distribution costs

Selling and distribution costs of the Group increased by approximately 14.0% from RMB4.6 million for the six months ended 30 June 2014 to RMB5.3 million for the six months ended 30 June 2015, representing approximately 0.7% and 0.7% of the Group's revenue for the reporting periods, respectively.

Administrative expenses

Administrative expenses of the Group increased by approximately 1.7% from RMB39.5 million for six months ended 30 June 2014 to RMB40.2 million for the six months ended 30 June 2015, representing approximately 5.5% and 5.2% of the Group's revenue for the reporting periods, respectively.

Finance costs

Finance costs of the Group increased by approximately 31.0% from RMB27.0 million for the six months ended 30 June 2014 to RMB35.3 million for the six months ended 30 June 2015, primarily due to an increase in the average balance of bank borrowings and a reduction of the amount of capitalized interest for qualifying assets during the reporting period.

Interest rates of bank loans ranged from 1.63% to 8.12% for the six months ended 30 June 2015, compared with 1.68% to 8.31% for the six months ended 30 June 2014.

* Adjusted for bonus issue in 2015

MANAGEMENT DISCUSSION AND ANALYSIS

Other expenses

Other expenses mainly comprise research and development expenses on energy conservation, consumption reduction, environmental protection system and application of recycled materials as raw materials across the production process.

Taxation

Tax charge increased by approximately 197.3% from RMB9.3 million for the six months ended 30 June 2014 to RMB27.8 million for six months ended 30 June 2015. The Group's effective tax rates for the six months ended 30 June 2014 and 2015 were 6.6% and 19.9%, respectively. The increase in the effective tax rate was mainly due to an overprovision of income tax for 2013 of approximately RMB15.8 million, which was credited to the profit and loss of the Company for the six months ended 30 June 2014 and resulted in a comparatively low effective tax rate for the six months ended 30 June 2014 when compared with that of the corresponding period ended 30 June 2015.

Profit and total comprehensive income attributable to owners of the Company

Profit and total comprehensive income attributable to owners of the Company decreased slightly from RMB132.6 million for the six months ended 30 June 2014 to RMB111.9 million for the six months ended 30 June 2015. The ratio of profit and total comprehensive income attributable to owners of the Company to revenue decreased slightly from approximately 18.6% for the six months ended 30 June 2014 to approximately 14.3% for the six months ended 30 June 2015.

Inventories, trade receivables and payables turnover cycle

The Group's inventories mainly comprise raw materials including wood pulp, recovered paper for de-inked pulp production. For the six months ended 30 June 2015, the inventory turnover cycle was approximately 39.5 days (For the year ended 31 December 2014: 43.8 days).

Due to continuing tightening of liquidity in China since 2013, the Group made a strategic decision to lengthen its standard credit term for customers to 90 days to 120 days from the previous 60 days to allow them more leeway to arrange their capital resources. That said, the turnover cycle of trade receivables for the six months ended 30 June 2015 was 149.7 days (For year ended 31 December 2014: 145.8 days). On the basis of the Group's deep understandings in its customers, the Group does not envisage any acute deterioration of credit quality of its trade receivables.

The turnover cycle for the Group's trade and bills payables for the six months 30 June 2015 shortened to 50.7 days (For the year ended 31 December 2014: 65.4 days), which was consistent with the 60-day credit period granted by the Group's suppliers.

Borrowings

As at 30 June 2015, the Group's bank borrowings balance amounted to RMB1,430.1 million, of which RMB654.5 million will be due for repayment within the next twelve months (As at 31 December 2014: RMB1,435.2 million, of which RMB574.7 million would be due for repayment within the next twelve months).

As at 30 June 2015, the Group's bank borrowings amounted to RMB1,370.3 million, carried at variable interest rates (As at 31 December 2014: RMB1,375.2 million).

As at 30 June 2015, the Group's net gearing ratio, which was calculated on the basis of total borrowings less bank balances and cash and pledged bank deposits as a percentage of shareholder equity, was 32.6% (As at 31 December 2014: 29.9%).

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of assets

As at 30 June 2015, the Group pledged certain of its property, plant and equipment, land use rights and bank deposits with an aggregate carrying value of RMB482.0 million (As at 31 December 2014: RMB500.5 million) as collaterals for the credit facilities granted to the Group.

Capital expenditure

For the six months ended 30 June 2015, the Group invested RMB167.9 million (For the six months ended 30 June 2014: RMB98.0 million) in construction of production facilities and equipment.

PROPOSED INVESTMENT CONSTITUTING POSSIBLE NOTIFIABLE AND CONNECTED TRANSACTION

As disclosed in the announcement of the Company dated 16 July 2015, the Company, as part of its business initiatives to venture into manufacturing of wall paper, entered into the non-legally binding memorandum of understanding dated 16 July 2015 with, among others, a connected person of the company and a third party investor, for proposed acquisition of no more than 45% of the issued share capital of a group of companies controlled by a connected person and principally engaged in the manufacturing and trading of wall paper in China ("Proposed Acquisition"). Further announcement(s) in respect of the Proposed Acquisition will be made by the Company as and when appropriate in accordance with the Listing Rules.

DIVIDEND

The Board has resolved to declare payment of an interim dividend for the six months ended 30 June 2015 of HK 4.1 cents per share (For the six months ended 30 June 2014: HK 3.9 cents per share), amounted to approximately HK\$48,635,000 in aggregate. It is expected that the interim dividend will be paid on or about 18 September 2015 to the shareholders of the Company whose names appear on the register of members of the Company on 27 August 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 25 August 2015 to 27 August 2015 (both days inclusive), during which period no transfer of shares will be registered. In order to establish entitlement to the interim dividend (payable on or about 18 September 2015), all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712—1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 24 August 2015 for registration of transfer.

HUMAN RESOURCES MANAGEMENT

As at 30 June 2015, the Group employed approximately 1,700 staff (As at 30 June 2014: approximately of 1,800 staff) and the total remuneration for the six months ended 30 June 2015 amounted to approximately RMB33.3 million (For the six months ended 30 June 2014: RMB37.0 million). The Group's remuneration packages are commensurate with experience and qualifications of individual employees and general market conditions. Bonuses are linked to the Group's financial results as well as individual performances. The Group also ensures that all employees are provided with adequate training and professional development opportunities to satisfy their career development needs.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEME

Pursuant to the written resolutions passed by all the shareholder of the Company on 30 April 2010, the Company approved and adopted a share option scheme (the "Scheme") for the purpose of giving eligible persons an opportunity to have a personal stake in the Company, motivating them to optimise their future performance and efficiency to our Group, rewarding them for their past contributions, attracting, retaining or otherwise maintaining on-going relationships with such eligible person who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of executives, to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. The Scheme shall be effective for a period of 10 years from 17 May 2010, after which no further options may be granted or offered. As at the date of this report, the remaining life of the Scheme was about 4 years 9 months.

The maximum number of shares of the Company which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the total number of shares of the Company in issue as at 27 May 2010, being 100,000,000 shares (after adjustment of the bonus issues of the Company in May 2013 and June 2015), which represented approximately 8.43% of the total issued share capital of the Company as at the date of this report. No options may be granted to any participant of the Scheme such that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Scheme as the Board may think fit, including the time or period before the right to exercise the option in respect of all or any of the shares of the Company shall vest, provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Scheme.

An option may be exercised in accordance with the terms of the Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant under the Scheme. There is no minimum period for which an option must be held before it can be exercised. Participants of the Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant on or before 28 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

- (a) the nominal value of a share;
- (b) the closing price of a share as stated in the Stock Exchange's daily quotation sheets on the offer date; and
- (c) the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

As at 30 June 2015, no options had been granted or agreed to be granted under the Scheme.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2015, the interests of each Director and chief executive of the Company in the shares of the Company with a nominal value of HK\$0.10 each (the "Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of director	Position	Capacity/Nature of interest	Number of Shares	Approximate percentage of interest in the Company
Mr Ke Wentuo	L ¹	Interest in controlled corporation and interest of spouse ²	694,237,500	58.52%
Mr Ke Jixiong	L ¹	Interest in controlled corporation ³	39,930,000	3.37%

Notes

- 1: Denotes Long Position.
- 2: The interest in 694,237,500 Shares comprise of:
 - (i) 665,560,500 Shares held by Smart Port Holdings Limited ("Smart Port"), which is wholly owned by Mr Ke Wentuo; and
 - (ii) 28,677,000 Shares held by Denron International Limited ("Denron"), which is wholly beneficially owned by Ms Cai Lishuang. Mr Ke Wentuo, being the spouse of Ms Cai Lishuang, is deemed to be interested in the said 28,677,000 Shares held by Denron.
- 3: The interest in 39,930,000 Shares refers to the same block of Shares held by Everproud International Limited, which is wholly owned by Mr Ke Jixiong.

Except as disclosed above, none of the Directors nor the chief executives of the Company or their respective close associates had any interest or short positions in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

The register of substantial shareholders required to be kept by the Company under Section 336 of Part XV of the SFO shows that as at 30 June 2015, in addition to the interests disclosed under the paragraph headed "Directors and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares and Debentures of the Company or any Associated Corporation", the Company was notified of the following shareholders' interests and short positions in the Shares and underlying Shares, being interests of 5% or more.

Name	Position	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Smart Port	L ¹	Beneficial owner ²	665,560,500	56.11%
Ms Cai Lishuang	L ¹	Interest in controlled corporation and interest of spouse ³	694,237,500	58.52%
Cathay Special Paper Limited	L ¹	Beneficial owner ⁴	106,903,500	9.01%

Notes

- 1: Denotes Long Position.
- 2: Mr Ke Wentuo is deemed to be interested in the Shares held by Smart Port by virtue of Smart Port being wholly owned by Mr Ke Wentuo.
- 3: Ms Cai Lishuang is deemed to be interested in the Shares held by Denron by virtue of Denron being wholly owned by Ms Cai Lishuang. In addition, she is deemed to be interested in the Shares held by Smart Port, which is wholly owned by Mr Ke Wentuo, by virtue of her being the spouse of Mr Ke Wentuo.
- 4: Cathay Special Paper Limited is wholly owned by Cathay Capital Holdings II, L.P., a limited liability partnership.

Except as disclosed above, as at 30 June 2015, the Company has not been notified by any person or corporation who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

DISCLOSURE PURSUANT TO RULE 13.18 AND RULE 13.21 OF THE LISTING RULES

On 7 April 2014, the Company as borrower entered into the facility agreement ("Facility Agreement") with a syndicate of seven banks for a three-year term loan in the principal amount of US\$110 million (the "Facility"), pursuant to which the Facility Agreement includes a condition imposing specific performance obligations on Mr Ke Wentuo, the controlling shareholder of the Company (the "Controlling Shareholder") who is interested in approximately 57.38% of the issued share capital of the Company as of the date of the Facility Agreement. It will be a change of control in the event that (i) the Controlling Shareholder and his associates collectively do not or cease to own at least 40% of the, direct or indirect, beneficial shareholding interest in the issued share capital of, and carrying 40% of the voting rights in the Company, free from any security; (ii) the Controlling Shareholder and his associates collectively do not or cease to have management control of the Company; (iii) the Controlling Shareholder and his associates collectively are not or cease to be the single largest shareholder of the Company; or (iv) the Controlling Shareholder is not or cease to be the chairman of the board of directors (the "Board").

If a change of control occurs, the facility agent to the Facility Agreement may cancel all the available Facility and declare all or part of the loans, together with all accrued interest, and all other amounts accrued or outstanding pursuant to the Facility Agreement then due and payable, whereupon the Facility Agreement will be cancelled and all such outstanding amounts will be immediately due and payable.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. For the six months ended 30 June 2015, the Directors consider that the Company has complied with all the code provisions as set out in the Code.

The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise the interests of the shareholders of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry to all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the reporting period.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

The Company has established an audit committee on 30 April 2010 with written terms of reference in compliance with the Code. The primary responsibilities of the audit committee are to review and supervise financial reporting processes and internal control system of the Group. As at 30 June 2015, the audit committee comprises Mr Chow Kwok Wai, Prof. Zhang Daopei and Prof. Chen Lihui, being the three independent non-executive Directors. Mr Chow Kwok Wai is the chairman of our audit committee.

The members of audit committee reviewed the Company's financial reporting system and internal control system and the Group's audited financial statements for the year ended 31 December 2014 and interim report for the six months ended 30 June 2015 in conjunction with the Company's external auditor. They were of the opinion that these statements had complied with the applicable accounting standards, rules and regulations, and that adequate disclosures had been made.

NOMINATION COMMITTEE

The Company established a nomination committee on 22 December 2011 with written terms of reference in compliance with the Code. As at 30 June 2015, the nomination committee comprised Mr. Prof. Zhang Daopei, Prof. Chen Lihui and Mr Ke Wentuo. Prof. Zhang Daopei is the chairman of the nomination committee. The nomination committee considers and recommends to the Board suitably qualified persons to become Directors and is responsible for reviewing the structure, size and composition of the Board at least annually and making recommendations on any proposed changes to the board to complement the Company's corporate strategies.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 30 April 2010 with written terms of reference in compliance with the Code. As at 30 June 2015, the remuneration committee comprised, Prof. Zhang Daopei, Prof. Chen Lihui and Mr Ke Wentuo. Prof. Chen Lihui is the chairman of the remuneration committee. The primary responsibilities of our remuneration committee are to make recommendations to the Board on the remuneration packages of the Directors and senior management personnel of our Group and to ensure that no Director or any of his associates is involved in deciding his own remuneration.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief and at the date of this report, the Company has maintained sufficient public float during the six months ended 30 June 2015.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated interim financial report has been reviewed by the Company's audit committee and the Company's auditors, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

On behalf of the Board

Ke Wentuo

Chairman

Hong Kong, 10 August 2015

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF YOUYUAN INTERNATIONAL HOLDINGS LIMITED

優源國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Youyuan International Holdings Limited (the “Company” and its subsidiaries (collectively referred to as the “Group”)) set out on pages 16 to 28, which comprises the condensed consolidated statement of financial position as of 30 June 2015, the related condensed consolidated statement of profit or loss and other 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 International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

10 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	NOTES	Six months ended 30 June	
		2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Revenue		778,161	711,983
Cost of sales		(547,404)	(489,060)
Gross profit		230,757	222,923
Selling and distribution expenses		(5,290)	(4,642)
Administrative expenses		(40,188)	(39,515)
Other income and other gains and losses	4	4,771	3,697
Finance costs	5	(35,309)	(26,962)
Other expenses		(15,069)	(13,580)
Profit before tax		139,672	141,921
Income tax expense	6	(27,781)	(9,344)
Profit and total comprehensive income for the period attributable to owners of the Company	7	111,891	132,577
Earnings per share - Basic (RMB)	9	0.094	0.110*

* Adjusted for bonus issue in 2015

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	NOTES	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,103,742	2,088,826
Prepaid lease payments		337,687	342,247
Deposits paid for acquisition of property, plant and equipment		84,417	15,190
Deposits paid for acquisition of prepaid lease payments		39,855	—
		<u>2,565,701</u>	<u>2,446,263</u>
CURRENT ASSETS			
Inventories	11	124,755	114,452
Trade and other receivables	12	671,691	625,781
Prepaid lease payments		8,229	7,784
Pledged bank deposits		—	11,000
Bank balances and cash		665,698	735,384
		<u>1,470,373</u>	<u>1,494,401</u>
CURRENT LIABILITIES			
Trade and other payables	13	232,452	179,704
Tax liabilities		18,006	13,293
Bank borrowings	14	654,520	574,722
		<u>904,978</u>	<u>767,719</u>
NET CURRENT ASSETS		<u>565,395</u>	<u>726,682</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,131,096</u>	<u>3,172,945</u>
NON-CURRENT LIABILITIES			
Bank borrowings	14	775,574	860,497
Deferred taxation		10,500	10,500
		<u>786,074</u>	<u>870,997</u>
NET ASSETS		<u>2,345,022</u>	<u>2,301,948</u>
CAPITAL AND RESERVES			
Share capital	15	102,501	93,842
Reserves		2,242,521	2,208,106
TOTAL EQUITY		<u>2,345,022</u>	<u>2,301,948</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company				Total
	Share capital	Share premium	Other reserves	Accumulated profits	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014 (audited)	95,580	224,919	476,693	1,351,051	2,148,243
Profit and total comprehensive income for the period	—	—	—	132,577	132,577
Dividends recognised as distribution (Note 8)	—	—	—	(54,000)	(54,000)
At 30 June 2014 (unaudited)	<u>95,580</u>	<u>224,919</u>	<u>476,693</u>	<u>1,429,628</u>	<u>2,226,820</u>
At 1 January 2015 (audited)	93,842	91,892	505,684	1,610,530	2,301,948
Profit and total comprehensive income for the period	—	—	—	111,891	111,891
Bonus issue	8,624	(8,624)	—	—	—
Dividends recognised as distribution (Note 8)	35	648	—	(69,500)	(68,817)
At 30 June 2015 (unaudited)	<u>102,501</u>	<u>83,916</u>	<u>505,684</u>	<u>1,652,921</u>	<u>2,345,022</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	192,701	277,112
INVESTING ACTIVITIES		
Payments for property, plant and equipment	(128,104)	(103,372)
Payments for prepaid lease payments	(39,855)	—
Withdrawal (placement) of pledged bank deposits	11,000	(11,000)
Placement of time deposit	—	(35,000)
Receipt in advance for assets held for sale	—	15,077
Proceeds from disposal of property, plant and equipment	57	—
Interest received	5,638	2,643
NET CASH USED IN INVESTING ACTIVITIES	(151,264)	(131,652)
FINANCING ACTIVITIES		
Dividend paid	(68,817)	(53,819)
New bank borrowings raised	454,397	891,309
Repayments of bank borrowings	(459,522)	(444,167)
Interest paid	(37,181)	(33,157)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(111,123)	360,166
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(69,686)	505,626
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	735,384	142,130
CASH AND CASH EQUIVALENTS AT END OF PERIOD	665,698	647,756

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34"), Interim Financial Reporting and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following new and revised Amendments to International Financial Reporting Standards ("IFRSs").

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010 - 2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011 - 2013 Cycle

The application of the above new or revised Amendments to IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the CEO of the Company, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on types of goods delivered. This is also the basis upon which the Group is organised. No operation segments identified by the chief operation decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under IFRS 8 are as follows:

- Wrapping tissue paper - manufacturing for sale of wrapping tissue paper;
- Copy paper - manufacturing for sale of copy paper;
- Wall paper backing paper - manufacturing for sale of wall paper backing paper;
- Other products - manufacturing for sale of paper towels and ivory boards.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

3. SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Segment revenue		Segment results	
	Six months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Wrapping tissue paper	585,294	560,088	189,674	188,714
Copy paper	81,829	84,124	23,850	22,951
Wall paper backing paper	37,347	896	6,836	(201)
Other products	73,691	66,875	10,397	11,459
	<u>778,161</u>	<u>711,983</u>	<u>230,757</u>	<u>222,923</u>
Selling and distribution expenses			(5,290)	(4,642)
Administrative expenses			(40,188)	(39,515)
Other income and other gains and losses			4,771	3,697
Finance costs			(35,309)	(26,962)
Other expenses			(15,069)	(13,580)
Profit before tax			<u>139,672</u>	<u>141,921</u>

Segment revenue and segment results reported above represents revenue and gross profit generated from external customers, respectively. There were no intersegment sales during both periods.

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Bank interest income	5,638	2,643
Loss on disposal of property, plant and equipment	(116)	—
Net foreign exchange (loss) gain	(891)	862
Government grants (note)	69	132
Others	71	60
	<u>4,771</u>	<u>3,697</u>

Note: Government grants represented incentives granted by the local authorities to the Group's subsidiaries located in the People's Republic of China ("PRC") for developing innovative production technology and maintaining a good reputation in the business community. There are no unfulfilled conditions and other contingencies attaching to such grants.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

5. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	37,853	32,074
Less: Amounts capitalised	(2,544)	(5,112)
	<u>35,309</u>	<u>26,962</u>

During the six months ended 30 June 2015, the borrowing costs of RMB2,544,000 (six months ended 30 June 2014: RMB5,112,000) capitalised are attributable to funds borrowed specifically for the purpose of obtaining particular qualifying assets such as its production facilities.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
Charge for the period	27,781	25,105
Overprovision in prior period	—	(15,761)
	<u>27,781</u>	<u>9,344</u>

The income tax expense for the period represents the PRC Enterprise Income Tax ("EIT") which is calculated at the prevailing tax rate on the taxable income of the group entities in the PRC.

Quanzhou Huaxiang Paper Industry Co., Ltd. ("Huaxiang"), Fujian Xiyuan Paper Co., Ltd. ("Xiyuan") and Youlanfa Paper Co., Ltd. Fujian ("Youlanfa") (collectively referred as the "PRC Subsidiaries") are Foreign Investment Enterprises registered in the PRC and are subject to the PRC statutory EIT tax rate of 25% for both periods.

Youlanfa obtained a high and new technology enterprise certificate in 2013 and was entitled to a preferential tax rate of 15% for three year period from 2012 to 2014, subject to annual review by the relevant tax authority. This certificate expired at the end of 2014.

Xiyuan obtained a high and new technology enterprise certificate in 2013 and was approved in 2014 to entitle to a preferential tax rate of 15% for three year period from 2013 to 2015, subject to annual review by the relevant tax authority. For the six months ended 30 June 2014, an overprovision of approximately RMB15,761,000 of income tax for 2014 was credited to profit and loss, representing the over provided EIT rate of 25% in 2013.

In current interim period, the preferential tax rate of 15% has applied to Xiyuan, which is subject to annual review in 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging the following item:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	46,332	38,910
Release of prepaid lease payments	4,115	3,818
	<u>50,447</u>	<u>42,728</u>
Total depreciation and amortisation expenses		
Loss on disposal of property, plant and equipment	116	—
Research and development cost recognised as an expense (included in other expenses)	15,069	13,580
Cost of inventories recognised as expenses	547,404	489,060
	<u>547,404</u>	<u>489,060</u>

8. DIVIDEND

During the six months period ended 30 June 2015, a final dividend of HK8.0 cents per share, in cash with scrip shares option (the "Scrip Dividend Scheme"), in respect of the year ended 31 December 2014 was approved by shareholders at annual general meeting on 8 May 2015. Under the Scrip Dividend Scheme, 436,339 shares of approximately HK\$847,000 (equivalent to approximately RMB683,000), were allotted and cash dividend of approximately HK\$85,393,000 (equivalent to approximately RMB68,817,000) was paid.

During the six months period ended 30 June 2014, a final dividend of HK6.3 cents per share in an aggregate amount of HK\$69,300,000 (equivalent to approximately RMB54,000,000) in respect of the year ended 31 December 2013 was declared and paid.

Subsequent to the end of the reporting period, the directors have recommended the payment of an interim dividend of HK4.1 cents per share for the six months period ended 30 June 2015 (six months period ended 30 June 2014: HK3.9 cents per share).

9. EARNINGS PER SHARE - BASIC

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company		
for the purpose of basic earnings per share	<u>111,891</u>	<u>132,577</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

9. EARNINGS PER SHARE - BASIC (Continued)

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited and restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	<u>1,185,838,571</u>	<u>1,210,000,000</u>

No diluted earnings per share are presented as there were no potential ordinary shares outstanding during both periods.

Note: For six months period ended 30 June 2014, the weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the bonus share issued on 16 June 2015.

10. PROPERTY, PLANT AND EQUIPMENT

	Carrying values RMB'000
At 1 January 2015 (audited)	2,088,826
Additions	61,421
Depreciation for the period	(46,332)
Disposals	(173)
At 30 June 2015 (unaudited)	<u>2,103,742</u>

During the six months period ended 30 June 2015, the Group mainly incurred approximately RMB61 million (six months period ended 30 June 2014: RMB98 million) on the construction of new production facilities in the PRC and capitalised interest in order to enlarge its production capabilities.

11. INVENTORIES

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Raw materials	104,600	95,229
Work in progress	98	183
Finished goods	<u>20,057</u>	<u>19,040</u>
	<u>124,755</u>	<u>114,452</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

12. TRADE AND OTHER RECEIVABLES

Trade and other receivables mainly represent trade receivables of approximately RMB667,747,000 (31 December 2014: approximately RMB619,763,000).

The Group allows an average credit period of 90 to 120 days to its trade customers. The ageing of trade receivables presented based on the invoice date, which approximated the respective revenue recognition dates, at the end of the reporting period is as follows:

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
0 to 30 days	180,681	166,594
31 to 60 days	164,759	166,194
61 to 90 days	167,647	149,321
91 to 120 days	154,660	137,654
	<u>667,747</u>	<u>619,763</u>

13. TRADE AND OTHER PAYABLES

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Trade payables	176,813	129,705
Other payables for acquisition of plant and equipment	17,826	18,288
Other tax payables	18,655	10,964
Other payables and accrued operating expenses	19,158	20,747
	<u>232,452</u>	<u>179,704</u>

Other payables and accrued operating expenses mainly represent accrued staff costs and utilities expenses.

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

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Within 30 days	81,693	77,248
31 to 90 days	95,120	52,457
	<u>176,813</u>	<u>129,705</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

14. BANK BORROWINGS

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Secured bank borrowings	274,800	462,322
Unsecured bank borrowings	1,155,294	972,897
	<u>1,430,094</u>	<u>1,435,219</u>
Carrying amount repayable:		
Within one year	654,520	574,722
More than one year, but not exceeding two years	697,694	419,235
More than two years, but not exceeding five years	77,880	441,262
	<u>1,430,094</u>	1,435,219
Less: Amounts due within one year shown under current liabilities	<u>(654,520)</u>	<u>(574,722)</u>
Amounts shown under non-current liabilities	<u>775,574</u>	<u>860,497</u>

All unsecured bank borrowings are cross-guaranteed by the group companies. The remaining bank borrowings are secured by property, plant and equipment, prepaid lease payments and bank deposits with total carrying amounts approximately RMB481,950,000 (31 December 2014: approximately RMB500,515,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

15. SHARE CAPITAL

	Number of shares	Share capital HK\$
Authorised		
At 1 January 2014, 30 June 2014, 31 December 2014, 1 January 2015 and 30 June 2015		
- Ordinary shares of HK\$0.10 each	<u>10,000,000,000</u>	<u>1,000,000,000</u>
Issued and fully paid		
At 1 January 2014 and 30 June 2014	1,100,000,000	110,000,000
Shares repurchased and cancelled (Note a)	<u>(22,000,000)</u>	<u>(2,200,000)</u>
At 31 December 2014 and 1 January 2015	1,078,000,000	107,800,000
Issue of shares in lieu of cash dividend (Note b)	436,339	43,634
Bonus issue (Note c)	<u>107,800,000</u>	<u>10,780,000</u>
At 30 June 2015	<u>1,186,236,339</u>	<u>118,623,634</u>
	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Presented in RMB		
Share capital	<u>102,501</u>	<u>93,842</u>

Notes:

- (a) For the year ended 31 December 2014, the Company repurchased 22,000,000 shares from the market at the price ranging from HK\$1.68 to HK\$1.84 per share for a total consideration (including expenses) of approximately RMB30,765,000. The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares.
- (b) On 15 June 2015, 436,339 shares of HK\$0.10 each of the Company were allotted and issued at HK\$1.94 per shares in respect of the final dividend for the year ended 31 December 2014 under the Scrip Dividend Scheme.
- (c) On 16 June 2015, 107,800,000 shares of HK\$0.10 each of the Company, amounting to HK\$10,780,000 (approximately RMB8,624,000), on the basis of one bonus share for every ten shares were issued at par value by way of transfer from the share premium account of the Company. Such bonus issue was approved by the shareholders of the Company at the annual general meeting held on 8 May 2015.

All shares issued rank pari passu with other shares in issue in all respects.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

16. CAPITAL COMMITMENTS

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment and prepaid lease payments	<u>199,483</u>	<u>78,132</u>

17. EVENTS AFTER THE REPORTING PERIOD

On 16 July 2015, the Company, a third party investor, a target company and a proposed vendor entered into the non-legally binding memorandum of understanding in relation to the proposed acquisition of no more than 45% of the issued share capital of the target company with consideration between RMB500 million and RMB600 million.