



ZHENGYE
INTERNATIONAL

2015 中期報告 INTERIM REPORT

正業國際控股有限公司
ZHENGYE INTERNATIONAL HOLDINGS COMPANY LIMITED

INCORPORATED IN BERMUDA WITH LIMITED LIABILITY
STOCK CODE:3363



ZHENGYE
INTERNATIONAL

CONTENTS

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	5
Other information	13
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	20
Condensed Consolidated Statement of Financial Position	21
Condensed Consolidated Statement of Changes in Equity	23
Condensed Consolidated Statement of Cash Flows	24
Notes to the Condensed Consolidated Financial Statements	26

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Hu Zheng (*Chairman*)
Mr. Hu Hancheng (*Vice-Chairman and Chief Executive Officer*)
Mr. Hu Hanchao (*Vice-Chairman and Chief Operating Officer*)
Mr. Hong Guanghua
Mr. Zhang Xiaoming

Non-executive Director

Mr. Hu Hanxiang

Independent Non-Executive Directors

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

Company Secretary

Mr. Kersen Chan

Board Committees

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Headquarters and Principal Place of Business in China

27th Floor, North Building
Tower 3, Da Dong Yu International Center
101 Dongyuannan Road
East District, Zhongshan, Guangdong
The People's Republic of China

Principal Place of Business in Hong Kong

Suite 1913, 19th Floor
Peninsula Tower
538 Castle Peak Road, Cheung Sha Wan
Kowloon, Hong Kong

Authorized Representative

Mr. Hu Zheng
Mr. Kersen Chan

Legal Adviser

As to Bermuda law
Conyers Dill & Pearman

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Principal Share Registrar and Transfer Office in Bermuda

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

Bank of China
Industrial and Commercial Bank of China
Industrial Bank Company Limited

Share Information

Stock code: 3363

Company's Official Website Address

<http://www.zhengye-cn.com>

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the **"Board"**), I am pleased to present the interim results of Zhengye International Holdings Company Limited (the **"Company"** or **"Zhengye International"**, together with its subsidiaries, our **"Group"** or the **"Group"**) for the six months ended 30 June 2015 (the **"period"**).

Business Review

This year is the finale year of 12th Five-Year-Program of the paper industry and also the year when the packaging and paper industry strengthens the adjustment and optimization of its structure. In the first half of 2015, Ministry of Industry and Information Technology increased its requirements on papermaking businesses for energy saving and emission reduction accordingly and strengthened its efforts to phase out outmoded production capacities, so that the industry's landscape of oversupply has improved, and the effectiveness of the policies emerged, enabling the industry to walk into a big environment of stable supply and demand and steady prices. The Group has been following the trends of the industry closely with a hope to seize the industry's opportunities and optimize its strength and quality of development. Over the past few years, the Group has been improving its productivity strategy and expanding its sales network, and tried its best to enhance the internal management, hoping to get ready for the industry's recovery in advance. Under the concerted efforts of all the staff as one from top to bottom, I am pleased to announce that the Group's total turnover amounted to approximately RMB882,577,000 for the period, representing an increase of approximately 12.00% as compared to approximately RMB788,017,000 in the same period last year. The Group's gross profit increased by 32.46% to RMB179,012,000 from RMB135,141,000 in the same period last year; Its gross profit margin increased by 3.13 percentage points from 17.15% in the same period last year to 20.28% in the period of the year. The profit and total comprehensive income for the period attributable to owners of the Company amounted to RMB32,359,000, representing a significant increase of approximately 110.55% as compared to the same period last year. The basic earnings per share was approximately RMB6 cents.

Outlook and Acknowledgements

Structural adjustment and optimization as well as independent innovation ability strengthening are the basic principles of the 12th Five-Year-Program of the paper industry. This vision of the policy happens to coincide with the direction of the Group's development. Over the past few years, in addition to the plant management optimization and production facility productivity improvements for the production bases located in the eight cities, respectively Zhongshan, Zhuhai, Wuhan, Shijiazhuang, Zhengzhou and Hefei, the Group also acquired Zhongshan Lianhe Hongxing Paper Co., Ltd. (the **"Lianhe"**) and Zhongshan Lianxing Paper Co., Ltd. (**"Lianxing"**) (collectively **"Lianhe and LianXing Paper Plants"**) in the first half year, to consolidate the foundation of the upstream supply chain of the Group's paper packaging products. As the internal adjustment and optimization and the rollout of productivity and capacity strategy completed gradually, we expect to make the best use of the resources already invested by the Group for further diversifying its sources of revenue.

CHAIRMAN'S STATEMENT

With the advent of the "Internet +" era, E-commerce is increasingly integrated with various industries, so it is foreseeable that the paper packaging industry will further embrace the historic opportunity for development. To meet the arrival of the great e-commerce era, the Group will actively study and improve our production technologies, with a hope to introduce paper packaging products of more varieties and sizes to satisfy the demands of e-commerce businesses. We will actively identify and penetrate into more potential customers in industries, such as food, spices, and electronics products, and will endeavor to seek collaborative opportunities with e-commerce businesses. In order to continue to maintain good relationships with existing and new customers in the future, the Group will keep improving its service quality by putting themselves in the shoes of the customers to address problems, and provide customers with one stop services, from packaging design, packaging printing, raw materials procurement to shipment and transportation, so as to establish and maintain the loyalty of the existing and new customers.

I believe that by virtue of the Group's industry position in the Pearl River Delta region, the hands-on experience of many years and the joint efforts of the team, the Group is positioned to seize the opportunity of economic recovery and occupy more market share in order to generate higher returns for shareholders and lay a solid foundation for future sustainable development.

I, on behalf of the Board of the Group, would like to take this opportunity to express my heartfelt gratitude to all customers, partners, suppliers, banks and shareholders for their support and great kindness.

Hu Zheng

Chairman

Hong Kong, 28 August 2015

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Turnover

Oversupply still reigns in China's paper-making industry for the first half of 2015. Nevertheless, pushed by increasingly stringent environmental regulations and the pressing task of eliminating outmoded capacity as dictated by Chinese government's 12th Five-Year-Program, the industry is making steady strides in optimizing its structure, and the South China Region in particular is playing a leading role among countrywide counterparts. The government of Dongguan attempts to phase out environmentally-outmoded capacity in its administrative division within 2015 through introducing a compensation scheme. In the meanwhile, there has been clear evidence of slowdown in adding new capacity to the paper-making sector countrywide as compared with 2014, which effectively reined the overcapacity of the industry in general and created room for rebound in the average selling price of corrugating medium in the first half of year. While the first half of year is usually a slack season in terms of paper-based packaging demand and price, the selling price of corrugating medium managed to rise slightly during the March-May period this year.

In response to the general trend of industrial restructuring and integration, the Group has put in place a series of optimization measures. Apart from the improvement of internal management efficiency, the Group has also strategically improved overall industrial chain layout. Through the takeover of Zhongshan Lian He and Lian Xing Paper Mill, the Group draws on sophisticated management expertise to effectively shorten the buffer period for the commissioning of new production facility, and successfully returned to profit in April this year, and it even registered revenue and profit contribution within the report period. The commissioning of three corrugating medium production lines has added 400,000 tons/year to the Group's design capacity for paper making. This has not only allowed the Group to expand into upstream sector of the industry chain but also bolstered its expansion of the entire paper-based packaging product line, allowing the Group to rank among the leading producers of corrugating medium in Guangdong Province. As it completed the preliminary deployment of production capacity, the Group is now poised to become one of the leading producers for paper and paper-based packaging products with a considerable size, extensive sales network and a solid customer base, furthermore, a substantial growth in the Group's interim profit as compared with last year has laid a foundation for fueling future growth momentum.

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 June 2015 (the “**period**” or the “**period under review**”), the Group recorded a turnover of RMB882,577,000, representing 12.00% increase compared with RMB788,017,000 recorded at the same period last year, this significant growth was mainly attributable to the release of new capacity gained through the acquisition of corrugated medium paper production facility, a double digit rise is recorded for the average selling price of corrugated medium paper. The domestic market is where the Group derived all of its turnover, of which 48.23% and 51.77% are contributed respectively by paper-based packaging products and corrugated medium paper (compared with 59.29% and 40.71% for the six months ended June 30, 2014). Gross profit rose to RMB179,012,000, an increase year-on-year of 32.46%, and gross margin rose to 20.28%, an increase of 3.13 percentage points compared with 17.15% of last year, which was mainly attributable to the growth in the unit selling price of corrugated medium paper and have an effective policy to control in each production cost strictly in the period. During the report period, the Group recorded a profit and comprehensive income of RMB32,359,000 attributable to owners of the Company, representing a substantial increase of 110.55% compared with RMB15,369,000 for the same period of previous year; net profit margin rose to 4.34%, representing an increase of 2.93 percentage points over the year, a robust growth in the Group’s performance in the first half of year marks the beginning of a stage where steady yield is being generated by the Group on investment.

Paper-based packaging products

The Group’s paper-based packaging products, including corrugated cartons and honeycomb paper-based products, are mainly sold to small domestic appliances and air-conditioner makers. During the report period, owing to production facility integration in the recent two years, the Group is able to maintain stable production output of corrugated cartons and honeycomb paper-based products despite an overall slackness of the domestic economy. During the report period, the Group registered an overall turnover of RMB425,673,000 for paper-based packaging products, a decrease of 8.89% year over year, corrugated cartons and honeycomb paper-based products accounted for 76.00% and 24.00% respectively(compared with 75.00% and 25.00% for the six months ended June 30, 2014). Gross profit and gross margin of paper packing products showed a decrease despite a slightly rise in selling price per unit, which is offset by the highly rise in the price of base paper, the main raw material used for production.

While staying focused on consolidating its customer base which mainly consists of small domestic appliance and air-conditioner makers, the Group attaches importance to the diversification of customer base. In addition to making a constant effort in tapping into the foodstuff and seasoning industry, and consumer goods industry such as the electronics industry, the Group plans to include E-business companies in its customer base in order to expand the downstream market of corrugated cartons, thus maximizing the economic potential of relevant production lines.

MANAGEMENT DISCUSSION AND ANALYSIS

Corrugated medium paper

During the period under review, the testing and technical upgrade for resuming production with the Group's new acquired corrugated medium paper production facility has been preliminarily completed and the production facility has become fully operational, contributing to an increase of about 53.00% in the production output of corrugated medium paper year over year. Furthermore, during the period, an active effort made by the local government of South China region (particularly Dongguan) in eliminating outmoded capacity, and as a result, it increased in selling price per unit. Due to the significant growth in sales volume and selling price per unit, the turnover for corrugated medium paper increased substantially to 456,904,000, an increase of 42.42% as compared with the 320,805,000 in the same period last year.

Prospect

In the first half of 2015, certain progress has been made in achieving the strategic objective of eliminating outmoded capacity as dictated by the 12th Five-Year Program for the paper-making industry, the Group has also completed strategic deployment of production capacity on a countryside scale, setting the stage for long-term growth.

As a paper-based packaging service provider of a considerable size in China, the Group has been paying attention to the operating efficiency of production facilities. Thanks to our experienced management and technical teams, we are able to improve production technology and the efficiency of production facility. In order to continuously reduce production cost while improving efficiency, we will continue to make further input in research and development, e.g. working out how to produce higher quality products using fewer raw materials, in order to fully capitalize on the profit potential of our production facility.

In terms of employee management, the Group adopts a performance indicator-based assessment approach, whereby it uses performance indicators to quantify the job performance of employee in each position and optimize resource allocation in order to help improve the overall department performance, the Group is currently in the process of recruiting talents in the hope of accelerating business expansion. In terms of environmental performance, the Group follows closely the local government's latest environmental standard in keeping in check the pollutant discharge from waste paper pulping process and in timely providing technical upgrade for wastewater treatment and carbon emission control facilities, with a view to aligning its environmental performance with industrial leadership.

MANAGEMENT DISCUSSION AND ANALYSIS

While embarking on multiple internal optimization initiatives, the Group actively strengthens the communication between sales staff and customers and closely follows the latest dynamics of customers using an electronic information platform which is jointly developed with its customers, in an attempt to enhance customer loyalty. Furthermore, the Group is making an active effort to expand sales channel and seeks to diversify its customer base. While seeking to broaden its customer base in the foodstuff, seasoning and electronics industries, the Group realizes that the rapid development of E-commerce in China will generate continuous growth in the demand for secondary packaging and it expects to attract high potential E-commerce customers as a new growth engine for its packing business in the future. The Group will also make an active input in the research and development of new product technology and reach further into high-end categories which are well-received by customers and the industry, thus injecting strong growth momentum to its solid business foundation.

Looking ahead to the next half of year, the Group will be fully devoted to consolidating its strength by optimizing its operation down to every detail, it will remain cautiously optimistic in seizing market opportunity and will be poised to grab a larger share of the market and generate greater return on shareholders' investment.

Cost of sales

The Group's cost of sales increased from RMB652,876,000 for the six months ended 30 June 2014 to RMB703,565,000 for the period under review, representing an increase of 7.76%.

Paper-based packaging products

As for the paper-based packaging products, the cost of sales decreased by RMB10,935,000 or 3.04% from RMB360,228,000 for the six months ended 30 June 2014 to RMB349,293,000 for the period under review.

Corrugated medium paper

As for the corrugated medium paper, the cost of sales increased by RMB61,624,000 or 21.06% from RMB292,648,000 for the six months ended 30 June 2014 to RMB354,272,000 for the period under review.

Gross profit and gross profit margin

Due to above mentioned factors, the gross profit increased by RMB43,871,000 or 32.46% from RMB135,141,000 for the six months ended 30 June 2014 to RMB179,012,000 for the period under review. The overall gross profit margin of the Group for the period under review was 20.28% compared with 17.15% for the six months ended 30 June 2014.

The gross profit margin of paper-based packaging products decreased from 22.90% for the six months ended 30 June 2014 to 19.35% for the period under review, a decrease of 15.50%.

MANAGEMENT DISCUSSION AND ANALYSIS

The gross profit margin of corrugated medium paper increased by 155.81% from 8.78% for the six months ended 30 June 2014 to 22.46% for the period under review. During the period under review, the double testing and adjusting under the technical improvement of a new acquired two production lines completed at March and fully operation at April this year, which contributed a profits to the Group. Also, the highly rise in selling price per unit in corrugated medium paper during the period, and have an effective policy to control in each production cost strictly, it resulted a significant growth in gross profit and gross profit margin of the corrugated medium paper segment during the period.

Distribution and selling expenses

The Group's distribution and selling expenses increased by approximately 5.08% from RMB31,991,000 for the six months ended 30 June 2014 to RMB33,617,000 for the period under review, representing about 4.06% and 3.81% of the Group's turnover respectively.

Administrative expenses

The Group's administrative expenses slightly increased by about 4.06% from RMB51,375,000 for the six months ended 30 June 2014 to RMB53,463,000 for the period under review, representing about 6.52% and 6.06% of the Group's turnover respectively. It was mainly due to the Group was strictly control various expenditures to the proportion of turnover in order to control the expenditures growth during the period under review.

Finance costs

Finance costs of the Group slipped by about 0.66% from RMB33,152,000 for the six months ended 30 June 2014 to RMB32,933,000 for the period under review.

Interest rates of bank borrowings were at fixed rates ranging from 1.95% to 6.83% per annum during the period under review, compared with 1.95% to 7.80% per annum in the same period last year.

Research and development expenses

Research and development expenses of the Group increased by around 49.83% from RMB15,848,000 for the six months ended 30 June 2014 to RMB23,745,000 for the period under review. The research and development expenses during the period was to improve the competitiveness of our products and develop new products in response to the demand from customers and research on new technology and new process aiming to enhance production efficiency and product quality.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense

During the period under review, the Group's income tax expense was RMB10,469,000 (for the six months ended 30 June 2014: RMB5,041,000), accounting for 21.45% of the total profit (for the six months ended 30 June 2014: 31.23%).

Profit and total comprehensive income

The Group's profit and total comprehensive income for the period under review was RMB38,344,000, the profit for the period attributable to owners of the Company was RMB32,359,000, represented an increase of 110.55% compared with RMB15,369,000 for the six months ended 30 June 2014.

Current assets and capital resources

Cash flow

As at 30 June 2015, the net amount of the Group's cash flow was RMB79,914,000. The amounts arising from operating and financing activities were RMB99,441,000 and RMB4,483,000 respectively, while the cash outflow of investing activity recorded RMB65,581,000 during the period under review.

The net amount of the cash outflow arising from investing activities was RMB71,058,000 for the purchase of property, plant and equipment.

Inventories

The inventories increased to about RMB167,362,000 as at 30 June 2015, compared with about RMB147,385,000 as at 31 December 2014. As at 30 June 2015, the inventory turnover days were about 43 days (31 December 2014: 35 days) which was at a normal level.

Trade receivables

As at 30 June 2015, the trade receivables amounted to RMB485,659,000 (31 December 2014: RMB508,385,000). The Group granted credit period of 30 to 120 days to our paper-based packaging products customers and credit period of 30 to 75 days to our corrugated medium paper customers. The turnover days for trade receivables were extended to 102 days (31 December 2014: 98 days).

Bills receivables

As at 30 June 2015, the bills receivables amounted to RMB515,416,000 (31 December 2014: RMB488,842,000). The increases was mainly attributable to the majority customers of the paper-based packaging products segment from Central China used the bills to settle the payment.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade payables

As at 30 June 2015, the trade payables amounted to RMB481,344,000 (31 December 2014: RMB521,501,000). The Group managed to obtain a credit period of 30 to 150 days from the majority of our suppliers. The turnover days for trade payables were 130 days (31 December 2014: 126 days).

Borrowings

As at 30 June 2015, the balance of the Group's bank and other borrowings amounted to RMB989,983,000 (31 December 2014: RMB932,657,000).

Gearing ratio

As at 30 June 2015, total gearing ratio was about 37.20% (31 December 2014: 36.34%), which was calculated on the basis of the total amount of bank and other borrowings as a percentage of the total assets. The net gearing ratio was 131.43%, which was calculated on the basis of the amount of bank and other borrowings less cash and bank balances as a percentage of the shareholders' interest (31 December 2014: 136.08%).

Pledge of assets

As at 30 June 2015, the Group pledged certain assets with carrying value of RMB1,054,517,000 as collateral for the Group's borrowing (31 December 2014: RMB901,697,000).

Capital commitments

As at 30 June 2015, the Group's capital commitments (including the engaged and authorized capital commitments) were RMB38,817,000 (31 December 2014: RMB70,199,000). All the capital commitments were related to purchasing new properties, factories and facilities as well as the leasing land.

Contingent liabilities

The Group had no significant contingent liabilities or litigation or arbitration of material importance as at 30 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign currency exposure

The Group collects most of its revenue and incurs most of the expenditures in RMB. Although the Group undertakes certain transactions denominated in foreign currencies, mainly the currencies of United States and Hong Kong, the exposures to exchange rate fluctuations is minimal. The Group acquired Lian He and Lian Xing paper manufacturing factories during the Year. Before the acquisition, Lian He and Lian Xing borrowed a ten years borrowings with amount of JPY3,500,000,000 from Rengo Company Limited* (レンゴ株式会社), one of shareholder of Lian He and Lian Xing. The Group also has to face the currency risk at the currency of Japan. The Group currently does not have a foreign currency hedging policy. The Directors, however, will monitor foreign exchange rate closely and consider entering into foreign currency hedging arrangement should the need arise.

Human Resources Management

The Group had 4,367 employees as at 30 June 2015 (as at 31 December 2014: 4,511 employees). Our remuneration is determined by reference to the employees' experience, qualification and overall market situation, while the bonus is related to the financial performance of the Group and the individual performance. The Group also undertakes to provide proper trainings and sustainable professional development opportunities for the employees if needed.

The Company has also adopted a share option scheme (the "**Share Option Scheme**") with a primary purpose of motivating our employees and other eligible persons entitled under the Share Option Scheme to optimize their contributions to the Group and to reward them for their contribution to the Group.

In 2012, options to subscribe for a total of 21,350,000 shares in the Company were granted to the Directors and the employees under the Share Option Scheme. As at 30 June 2015, options to subscribe for a total of 6,240,000 shares in the Company were granted to the Directors and the employees.

* For identification purpose only

OTHER INFORMATION

Directors' and Chief Executives' Interests in the Securities of the Company or its Associated Corporations

As at 30 June 2015, the interests and short positions of the directors 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 for Securities Transactions by Directors of Listed issuers contained in the Listing Rules were as follows:

Name of Directors	Name of Group member/ associated corporation	Capacity/ Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
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	100%

OTHER INFORMATION

Notes:

1. All the interests stated above represent long positions. The percentage shown was the number of shares the relevant directors or chief executive was interested in expressed as a percentage of the number of issued shares as at 30 June 2015.
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.

Share Options to subscribe for the ordinary shares of HK\$0.10 each in the Company were granted to, among others, certain Directors pursuant to the Share Option Scheme adopted by the Company on 3 June 2011. Information in relation to these Share Options was shown in the following section under the heading "Share Option Scheme".

Save as disclosed above and in the paragraph headed "Share Option Scheme" below, no other interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations were recorded in the register required to be kept by the Company under Section 352 of the SFO.

Substantial shareholders' interests in the securities of the Company

As at 30 June 2015, so far as are known to any directors or chief executive(s) of the Company, the following parties (other than directors 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.

OTHER INFORMATION

Name of Shareholder	Capacity/ Nature of interest	Number and class of shares held in the Company percentage (Note 1)	Approximate shareholding percentage
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 (Note 3)	Beneficial owner	93,750,000 ordinary shares of HK\$0.10 each	18.75%
Ms. Li Siyuan (Note 3)	Interest of spouse	93,750,000 ordinary shares of HK\$0.10 each	18.75%
Leading Innovation (Note 4)	Beneficial owner	75,000,000 ordinary shares of HK\$0.10 each	15.00%
Ms. He Lijuan (Note 4)	Interest of spouse	75,000,000 ordinary shares of HK\$0.10 each	15.00%

Note:

- 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 2015.
- 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 Lifen is the spouse of Mr. Hu Zheng. Under the SFO, Ms. Li Lifen was taken to be interested in the same number of shares in which Mr. Hu Zheng was interested.
- 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 Siyuan is the spouse of Mr. Hu Hancheng. Under the SFO, Ms. Li Siyuan was taken to be interested in the same number of shares in which Mr. Hu Hancheng was interested.
- 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.

Save as disclosed above, no other interest or short position in the shares or underlying shares in the Company were recorded in the Register.

OTHER INFORMATION

Share Option Scheme

The Company operates a share option scheme (the “**Share Option Scheme**”), which was adopted on 3 June 2011 (the “**Adoption Date**”). Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from the Adoption Date. The major terms of the Share Option Scheme are summarized as follows:

The purpose of the Share Option Scheme is to provide incentives or rewards to selected eligible participants for their contribution to the Group. Under the share Option Scheme, the is Directors of the Company may grant options to any Directors, employees, suppliers, customers, service providers, shareholder, advisors of any member of the Group or any entity in which any member of the Group holds and equity include 3 June 2011, and any other person who the Directors considers, in its discretion, have contributed to the Group.

The total number of share which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 10% of the share in issue as at the date of listing, unless shareholders approved has been obtained, and which must not in aggregate exceed 30% of the share of the company in issue from time to time. The total number of share issued and to be issued upon the exercise of the options granted to or to be granted to each participate under the Share Option Scheme in any 12-month period shall not exceed 1% of the share of the Company in issue.

The exercise price for the shares under the Share Option Scheme shall be such price as the Board may in its absolute discretion determine at the time of grant of the option but the subscription price shall not be less than the highest of the closing price of the Company’s shares as stated in the Stock Exchange’s daily quotation sheets on the date of the Board approving the grant of an option, which must be a business day (“**Offer Date**”); the average closing price of the Company’s shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the Offer Date; and the nominal value of the Company’s shares. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

OTHER INFORMATION

Movement of the options granted under the Share Option Scheme during the period ended 30 June 2015 is as follows:

Details of grantees	Date of grant	Exercise price per share (HK\$)	Exercisable Period	Number of share options				
				As at 1 January 2015	Granted during the period	Exercised During the period	Cancelled/ lapsed during the period	Outstanding as at 30 June 2015
Hu Zheng (Director)	20 January 2012	0.82	1 July 2014 to 30 June 2015	170,000	-	-	-	170,000
Hu Hancheng (Director)	20 January 2012	0.82	1 July 2014 to 30 June 2015	170,000	-	-	-	170,000
Hu Hanchao (Director)	20 January 2012	0.82	1 July 2014 to 30 June 2015	170,000	-	-	-	170,000
Hong Guanghua (Director)	20 January 2012	0.82	1 July 2014 to 30 June 2015	550,000	-	-	-	550,000
Zhang Xiaoming (Director)	20 January 2012	0.82	1 July 2014 to 30 June 2015	840,000	-	-	-	840,000
Hu Hanxiang (Director)	20 January 2012	0.82	1 July 2014 to 30 June 2015	140,000	-	-	-	140,000
Chung Kwok Mo John (Director)	20 January 2012	0.82	1 July 2014 to 30 June 2015	100,000	-	-	-	100,000
Wu Youjun (Director)	20 January 2012	0.82	1 July 2014 to 30 June 2015	50,000	-	-	-	50,000
Zhu Hongwei (Director)	20 January 2012	0.82	1 July 2014 to 30 June 2015	50,000	-	-	-	50,000
Yin Wenxin (Former Director)	20 January 2012	0.82	1 July 2014 to 30 June 2015	840,000	-	-	-	840,000
Employees	20 January 2012	0.82	1 July 2014 to 30 June 2015	3,160,000	-	-	-	3,160,000

The options granted to the directors are registered under the names of the directors who are also the beneficial owners.

OTHER INFORMATION

Model Code for Securities Transactions by Directors

The Company has adopted the code of conduct regarding securities transactions by directors as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Listing Rules. All the Directors of the Company have confirmed that they have 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 adopted and complied with the code provisions (the “**Code Provisions**”) of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules and certain recommended best practices set out in the CG Code 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 Prof. 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, Prof. Zhu Hongwei and Mr. Hu Zheng. Mr. Chung Kwok Mo John is the chairman of the Remuneration Committee.

OTHER INFORMATION

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, Prof. Zhu Hongwei and Mr. Hu Zheng. Mr. Hu Zheng is the chairman of the Nomination Committee.

Audit Committee Review

The condensed consolidated financial statements of the Group for the six months ended 30 June 2015 have not been audited but have been reviewed by the audit committee of the Company (comprised all the independent non-executive directors of the Company).

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.

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	3	882,577	788,017
Cost of sales		(703,565)	(652,876)
Gross profit		179,012	135,141
Other income	4	10,607	15,694
Other gains and losses	5	2,952	(2,328)
Distribution and selling expenses		(33,617)	(31,991)
Administrative expenses		(53,463)	(51,375)
Finance costs	6	(32,933)	(33,152)
Research and development expenses		(23,745)	(15,848)
Profit before tax	7	48,813	16,141
Income tax expense	8	(10,469)	(5,041)
Profit and total comprehensive income for the period		38,344	11,100
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		32,359	15,369
Non-controlling interests		5,985	(4,269)
		38,344	11,100
EARNINGS PER SHARE			
Basic (RMB)	10	0.06	0.03
Diluted (RMB)	10	0.06	0.03

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	NOTES	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Non-current Assets			
Property, plant and equipment	11	983,637	947,301
Prepaid lease payments		214,334	211,879
Other intangible assets	12	3,520	4,137
Deferred tax assets	18	1,089	1,191
Deposits paid for acquisition of property, plant and equipment		5,482	16,422
		1,208,062	1,180,903
Current Assets			
Inventories		167,362	147,385
Trade and other receivables	13	1,052,907	1,038,878
Prepaid lease payments		4,059	5,530
Short-term investment	14	147,856	5,000
Pledged bank deposits		–	145,932
Bank balances and cash	14	79,914	41,571
Tax recoverable		–	1,282
		1,452,098	1,385,578
Current Liabilities			
Trade and other payables	15	745,184	731,291
Tax liabilities		16,358	8,207
Bank borrowings	17	886,631	829,086
Other borrowings	17	41,763	30,288
Obligations under finance leases		314	311
Amounts due to directors	16	2,469	2,237
Loans from a non-controlling equity owners of subsidiaries	16	35,479	43,470
		1,728,198	1,644,890
Net Current Liabilities		(276,100)	(259,312)
Total Assets Less Current Liabilities		931,962	921,618

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	NOTES	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Capital and Reserves			
Share capital	19	41,655	41,655
Reserves		538,295	505,936
Equity attributable to owners of the Company			
Non-controlling interests		579,950	547,591
		114,841	108,856
Total Equity			
		694,791	656,447
Non-current Liabilities			
Deferred tax liabilities	18	2,213	2,240
Deferred income		26,304	27,037
Bank borrowings	17	45,500	52,500
Other borrowings	17	16,089	20,783
Obligations under finance leases		8,585	8,498
Loans from a non-controlling equity owners of subsidiaries		138,480	154,113
		237,171	265,171
		931,962	921,618

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company						Non-controlling interest		Total
	Share capital	Share premium	Statutory reserves	Share options reserve	Other reserves	Retained earnings	Total	interest	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014 (audited)	41,655	92,968	90,740	4,473	(23,389)	311,753	518,200	–	518,200
Acquisition of subsidiaries	–	–	–	–	–	–	–	102,083	102,083
Profit and total comprehensive income for the period	–	–	–	–	–	15,369	15,369	(4,269)	11,100
Recognition of equity-settled share-based payments	–	–	–	164	–	–	164	–	164
Dividends recognised as distribution	–	–	–	–	–	(10,450)	(10,450)	–	(10,450)
At 30 June 2014 (unaudited)	41,655	92,968	90,740	4,637	(23,389)	316,672	523,283	97,814	621,097
At 1 January 2015 (audited)	41,655	92,968	96,309	1,364	(23,389)	338,684	547,591	108,856	656,447
Profit and total comprehensive income for the period	–	–	–	–	–	32,359	32,359	5,985	38,344
At 30 June 2015 (unaudited)	41,655	92,968	96,309	1,364	(23,389)	371,043	579,950	114,841	694,791

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
OPERATING ACTIVITIES		
Profit before tax	48,813	16,141
Adjustments for:		
Finance costs	32,933	33,152
Interest income	(5,092)	(2,764)
Government grants released to income	(733)	–
Depreciation of property, plant and equipment	46,469	26,708
Impairment losses recognized on trade receivables	(75)	–
Amortisation of prepaid lease payments	984	1,712
Amortisation of other intangible assets	617	718
Share-based payment expense	–	164
(Gain) loss on disposal of property, plant and equipment	(84)	(48)
Gain on bargain purchase	–	(3,178)
Operating cash flows before movements in working capital	123,832	72,605
(Increase) decrease in inventories	(19,977)	20,042
Increase in trade and other receivables	(13,954)	(23,829)
Increase in trade and other payables	13,893	12,006
Decrease in amounts due to directors	232	(1,627)
Decrease in amounts due to non-controlling shareholder	6,376	(4,205)
Cash generated from (used in) operations	110,402	37,525
Income tax paid	(10,961)	(4,205)
NET CASH FROM OPERATING ACTIVITIES	99,441	33,320
INVESTING ACTIVITIES		
Net cash outflow on acquisition of subsidiaries	–	(124,545)
Interest received	5,092	2,764
Proceeds from disposals of property, plant and equipment	4,759	872
Purchase of property, plant and equipment	(71,058)	(60,635)
Purchase of prepaid lease payment	–	36,977
Redemption of short-term investment	5,000	10,000
Deposits paid for acquisition of property, plant and equipment	(7,450)	(14,126)
Placement of pledged bank deposits	(138,203)	(272,754)
Withdrawal of pledged bank deposits	136,279	238,750
NET CASH USED IN INVESTING ACTIVITIES	(65,581)	(182,697)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
FINANCING ACTIVITIES		
Interest paid	(32,933)	(30,253)
Dividends paid	–	(10,450)
Addition in obligations under finance leases	515	23,764
Repayments of obligations under finance leases	(425)	(22,335)
New bank borrowings raised	207,326	840,930
Repayment of bank borrowings	(150,000)	(714,926)
Repayment of loans obtained from a non-controlling equity owner of subsidiaries	(20,000)	–
NET CASH FROM FINANCING ACTIVITIES	4,483	86,730
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	38,343	(62,647)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	41,571	127,680
CASH AND CASH EQUIVALENTS AT 30 JUNE	79,914	65,033

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 Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities On The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

In preparing the condensed consolidated financial statements, the directors of the Company (the “**Directors**”) have given careful consideration of the Company and the Group in light of its net current liabilities of RMB276,100,000 as at 30 June 2015. On the basis that the Group has secured credit facilities of approximately RMB436,590,000 which remains unutilised as at 30 June 2015. Being in the year 2015, the board anticipate to control the capital expenditure strictly in order to achieve a reasonable level of debt. The Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

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 method of computations 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 amendments to Hong Kong Financial Reporting Standards (“**HKFRSS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSS	Annual Improvement to HKFRSS 2010–2012 Cycle
Amendments to HKFRSS	Annual Improvement to HKFRSS 2011–2013 Cycle

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

3. Segment Information

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

Six months ended 30 June 2015 (unaudited)

	Paper-based packaging RMB'000	Corrugated medium paper RMB'000	Total RMB'000
REVENUE			
External sales	425,673	456,904	882,577
Inter-segment sales	–	44,520	44,520
Segment revenue	425,673	501,424	927,097
Eliminations			(44,520)
Group Revenue			882,577
Segment Profit	13,924	36,950	50,874
Unallocated corporate expenses, net			(2,061)
Profit before tax			48,813

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

3. Segment Information (continued) Six months ended 30 June 2014 (unaudited)

	Paper-based packaging RMB'000	Corrugated medium paper RMB'000	Total RMB'000
REVENUE			
External sales	467,212	320,805	788,017
Inter-segment sales	–	40,819	40,819
Segment revenue	467,212	361,624	828,836
Eliminations			(40,819)
Group Revenue			788,017
Segment Profit	17,107	5	17,112
Unallocated corporate expenses, net			(4,149)
			12,963
Goodwill			3,178
Profit before tax			16,141

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represented the profit earned by each segment without allocation of legal and professional fee, bank interest income and other corporate income and expenses.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

4. Other Income

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest income	5,092	2,764
Government grant	2,551	8,772
Sundry income	2,964	4,158
	10,607	15,694

5. Other Gains and Losses

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Exchange gain (loss), net	3,036	(5,554)
Gain (loss) on disposals of property, plant and equipment	(84)	48
Gain on bargain purchase	–	3,178
	2,952	(2,328)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

6. Finance Costs

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on:		
Bank and other borrowings wholly repayable within five years	29,446	29,220
Loan from a non-controlling shareholder	1,162	585
Finance lease	2,325	3,347
	32,933	33,152

7. Profit for the Period

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before tax has been arrived at after charging the following items:		
Depreciation of property, plant and equipment	46,469	26,708
Amortisation of prepaid lease payments	2,858	1,712
Amortisation of other intangible assets (included in cost of sales)	617	718
Share-based payment expenses (included in administrative expenses)	–	164

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

8. Income Tax Expense

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax	10,394	5774
Hong Kong Profits Tax	–	39
Deferred tax (note 19)		
Current period	75	(772)
Income tax expense	10,469	5,041

Hong Kong Profits Tax is calculated at 16.5% on the estimated profits for the period.

Under the Law of The People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

According to the approval documents issued by the Ministry of Finance, the Ministry of Technology and the State Administration of Taxation, high-technology enterprises should be eligible for a preferential income tax rate at 15%.

Zheng Ye Packaging (Zhongshan) Company Limited* (正業包裝(中山)有限公司) ("Zheng Ye Packaging (Zhongshan)") and Zhongshan Yong Fa Paper Industry Company Limited* (中山永發紙業有限公司) ("Zhongshan Yong Fa Paper") obtained the Certificate of High-Technology in 2009 for three years and the applicable income tax rate was 15% in 2012 based on certain condition. In 2013, Zheng Ye Packaging (Zhongshan) and Zhongshan Yong Fa Paper have renewed the Certificate of High-Technology and continued to enjoy 15% of the applicable income tax rate up to year 2014.

In 2013, Zhuhai Zheng Ye Packaging Company Limited* (正業包裝(珠海)有限公司) ("Zheng Ye Packaging (Zhuhai)") was awarded the Advanced-technology Enterprise Certificate and is eligible for tax concession of 15% up to year 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

9. Dividends

No final dividend in respect of the year ended 31 December 2014 (2014: a final dividend of RMB2.09 cents per share for the year ended 31 December 2013) was declared of the Company.

The directors have determined that no interim dividend has been paid for the six months ended 30 June 2015.

10. Earnings per Share

The calculation of the basic and diluted 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 and diluted earnings per share	32,359	15,369
Number of shares		
Number of ordinary shares for the purpose of basic and diluted earnings per shares per share	500,000,000	500,000,000

The computation of diluted earnings per share for the six months ended 30 June 2015 and 30 June 2014 does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares during the six months ended 2015 and 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

11. Property, Plant and Equipment

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

	RMB'000
As at 1 January 2014 (audited)	604,449
Acquisition of subsidiaries	327,166
Additions of plant and equipment	59,503
Disposals of plant and equipment	(824)
Depreciation for the period	(26,708)
As at 30 June 2014 (unaudited)	963,586
As at 1 January 2015 (audited)	947,301
Additions of plant and equipment	87,480
Disposals of plant and equipment	(4,675)
Depreciation for the period	(46,469)
As at 30 June 2015 (unaudited)	983,637

12. Other Intangible Assets

	Development costs RMB'000
As at 1 January 2014 (audited)	3,733
Charge for the period	(718)
As at 30 June 2014 (unaudited)	4,452
As at 1 January 2015 (audited)	4,137
Charge for the period	(617)
As at 30 June 2015 (unaudited)	3,520

Development costs are internally generated.

Such intangible asset are amortised on a straight-line basis over 5 years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

13. Trade and Other Receivables

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Trade receivables	485,734	509,703
Less: allowance for doubtful debts	(75)	(1,318)
	485,659	508,385
Advances to suppliers	7,652	2,198
Bills receivables	515,461	488,842
Prepayment	10,572	8,435
Other receivables	33,563	31,018
	559,596	528,295
Total trade and other receivables	1,052,907	1,038,878

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. For those major customers with a good credit quality, the Group also allows them to settle the payments by bills with term of 60 to 180 days guaranteed by bank.

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

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
0 to 60 days	390,144	401,712
61 to 90 days	68,935	84,187
91 to 180 days	23,116	21,951
Over 180 days	3,464	535
	485,659	508,385

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

13. Trade and Other Receivables (continued)

The following is an aged analysis of bill receivables, presented based on invoice date at the end of the reporting period:

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
0 to 60 days	138,065	103,365
61 to 90 days	104,207	96,907
91 to 180 days	223,903	198,823
Over 180 days	49,286	89,747
	515,461	488,842

14. Pledged Bank Deposits and Bank Balances and Cash

Pledged bank deposits represent deposit pledged to banks to secure banking facilities granted to the Group. Deposits amounting to RMB147,856,000 (31 December 2014: RMB145,932,000) have been pledged to bank borrowings and bills payables repayable within three to six months and are therefore classified as current assets.

Bank balances carry interest at market rates within range from 0.01% to 0.35% (31 December 2014: 0.001% to 0.39%) per annum. The pledged deposits carry interest rates which range from 0.35% to 3.25% (31 December 2014: 0.35% to 3.30%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

15. Trade and Other Payables

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Trade payables	481,344	521,501
Bills payables — secured	141,596	89,308
Other taxes payables	70,061	52,161
Payroll and welfare payables	33,378	30,055
Construction payables	–	2,017
Advanced from customers	5,909	13,610
Others	12,896	22,639
	745,184	731,291

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

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
0 to 60 days	278,645	229,136
61 to 90 days	59,968	166,924
91 to 180 days	118,159	95,489
Over 180 days	24,572	29,952
	481,344	521,501

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

15. Trade and Other Payables (continued)

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

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
0 to 60 days	78,578	32,564
61 to 90 days	26,747	12,300
91 to 180 days	36,271	44,444
	141,596	89,308

The credit period on purchase of material is 30 to 150 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

16. Amounts Due to Directors/Loans from a Non-Controlling Equity Owner of Subsidiaries

The amounts due to directors are unsecured, interest free and repayable on demand.

Loans from a non-controlling equity owner of subsidiaries are unsecured and carrying fixed interest rates from 0.99% to 1.37% per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

17. Borrowings

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Bank borrowings, secured	932,131	881,586
Other borrowings, secured	57,852	51,071
	989,983	932,657
Carrying amount repayable:		
Within one year	928,394	859,374
More than one year but not more than two years	23,680	34,437
More than two year but not more than five years	37,909	38,846
	989,983	932,657
Less: Amounts due within one year shown under current liabilities	(928,394)	(859,374)
Amounts shown under non-current liabilities	61,589	73,283

Bank borrowings and other borrowings as at period end were secured by the pledged of assets set out in note 21.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	30 June 2015	31 December 2014
Effective interest rate:		
Fixed rate borrowings	1.95% to 7.80% per annum	2.43% to 8.40% per annum
Variable rate borrowings	Benchmark rate per annum	Benchmark rate per annum

Benchmark interest rate is quoted by the Peoples' Bank of China.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

18. Deferred Taxation

For the purpose of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Deferred tax assets	(1,089)	(1,191)
Deferred tax liabilities	2,213	2,240
	1,124	1,049

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

	Deferred income	Impairment of receivables	Depreciation differences	Tax losses	Undistributable profit of subsidiaries	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014 (audited)	-	(198)	2,444	-	600	2,846
Credit for the period	-	-	(83)	(89)	-	(172)
At 30 June 2014 (unaudited)	-	(198)	2,361	(89)	-	2,074
At 1 January 2015 (audited)	(394)	(198)	2,240	(599)	-	1,049
Charge (credit) for the period	102	-	(27)	-	-	75
At 30 June 2015 (unaudited)	(198)	(198)	2,213	(599)	-	1,124

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

18. Deferred Taxation (continued)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. As at the end of the current interim period, the aggregate amount of taxable temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised amounted to RMB384,503,000 (31 December 2014: RMB357,122,000).

No deferred tax liability has been recognised in respect of these differences because the Group's is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

19. Share Capital

	Number of share	Share Capital HK\$
Ordinary shares of HK\$0.10 each Authorised:		
At 1 January 2014, 30 June 2014, 1 January 2015 and 30 June 2015	1,000,000,000	100,000,000
Issued and fully paid:		
At 1 January 2014, 30 June 2014, 1 January 2015 and 30 June 2015	500,000,000	50,000,000
		RMB'000
Presented as: (At 31 December 2014 and 30 June 2015)		41,655

20. Share-Based Payments Transactions

The Company has granted certain share options (the "Options") to subscribe for shares of HK\$0.10 each in the capital of the Company (the "Shares") to certain directors and eligible employees (the "Employees") of the Company and the Group under the share option scheme of the Company adopted on 3 June 2011 (the "Scheme").

Pursuant to a resolution passed on 20 January 2012, the Company offered to grant the Options which entitle the holders thereof to subscribe for a total of 21,350,000 Shares of the Company to the Directors and Employees of the Group subject to acceptance of the grantees (the "Grantees"), under the Scheme, which the Options would expire on 30 June 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

20. Share-Based Payments Transactions (continued)

The table below discloses movement of the Company's share options held by the Group's employees:

	Number of share options
Outstanding as at 1 January 2014	14,090,000
Granted/(cancelled) during the period	–
Outstanding as at 30 June 2014	14,090,000
Outstanding as at 1 January 2015	6,240,000
Granted/(cancelled) during the period	–
Outstanding as at 30 June 2015	6,240,000

During the period, no expense recognised in relation to the grant of the options by the Company for the Group (for the six months ended 30 June 2014: RMB164,000).

The following assumptions were used to calculate the fair values of the Options:

Grant date share price	HK\$0.77
Exercise price	HK\$0.82
Expected life	3.44 years
Expected volatility	52.90% to 68.40%
Dividend yield	4.40%
Risk-free interest rate	0.27% to 0.46%
Expected multiple	2.2

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the Options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

21. 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 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Buildings and construction in progress	260,751	93,354
Plant and machinery	182,577	273,255
Land use right	331,143	163,375
Trade receivables	80,000	80,000
Bills receivables	2,190	80,440
Pledge bank deposits	147,856	145,932
Short-term investment	–	5,000
Inventories	50,000	60,341
	1,054,517	901,697

22. 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 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Within one year	12,216	14,434
On the second to fifth year inclusive	20,424	27,808
After five years	6,463	9,503
	39,103	51,745

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

23. Capital Commitments

	30 June 2015 RMB'000 (unaudited)	31 December 2014 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	38,817	70,199

24. Related Parties Transactions and Balances

(a) Name and relationship

Name	Relationship
Zhongshan City Zheng Ye Leasing Company Limited (" Zheng Ye Leasing ")	With the common controlling shareholders
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 2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Rental expenses of property — Zheng Ye Leasing (Note)	2,216	2,216
Rental expenses of vehicles — Zhong Fa Equipment	83	103

Note:

Rental deposit of RMB450,000 paid to Zheng Ye Leasing has been included in trade and other receivables on the Condensed Consolidated Statement of Financial Position at 30 June 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

24. Related Parties Transactions and Balances (continued)

(c) 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.

(d) Compensation 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	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries and other benefits	9,419	7,518
Share-based payment	–	164
Retirement benefits scheme contributions	106	82
	9,525	7,764