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

(incorporated in Bermuda with limited liability)

(Stock Code: 3363)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

FINANCIAL HIGHLIGHT:

— Revenue recorded a growth of 23.3% which was mainly generated from the growth in packaging business.

— Gross profit margin improved from 18.1% to 19.5% to price adjustment to customers.

The board of directors (the "**Board**") of Zhengye International Holdings Company Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2011 together with the comparative figures for the corresponding period in 2010 as set out below.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2011

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2011

	NOTES	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	**299,755**	284,070
Prepaid lease payments		**57,391**	58,075
Deposits paid for acquisition of property, plant and equipment		**18,160**	7,773
Deposit for leasehold land		**6,750**	6,750
		382,056	356,668
CURRENT ASSETS			
Inventories		**119,758**	103,801
Trade and other receivables	13	**584,528**	555,673
Amount due from a related party	21	**450**	—
Prepaid lease payments		**1,368**	1,368
Pledged bank deposits		**53,388**	98,239
Bank balances and cash		**156,312**	31,472
		915,804	790,553
CURRENT LIABILITIES			
Trade and other payables	14	**377,033**	396,402
Obligations under finance leases		**3,750**	3,528
Amounts due to directors	21	**2,053**	—
Amounts due to related parties	21	**981**	1,610
Bank and other borrowings	15	**439,502**	438,089
Tax liabilities		**5,135**	2,552
		828,454	842,181
NET CURRENT ASSETS (LIABILITIES)		**87,350**	(51,628)
TOTAL ASSETS LESS CURRENT LIABILITIES		**469,406**	305,040
NON-CURRENT LIABILITIES			
Obligations under finance leases		**11,443**	13,347
Deferred tax liabilities	16	**2,250**	1,907
		13,693	15,254
		455,713	289,786
CAPITAL AND RESERVES			
Share capital	17	**41,655**	17
Reserves		**414,058**	289,769
Total equity		**455,713**	289,786

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2011

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

Notes:

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

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2011

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2011

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 January 2013
4 Effective for annual periods beginning on or after 1 July 2012

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

4. REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

5. OTHER INCOME

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

6. OTHER GAINS AND LOSSES

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

7. FINANCE COSTS

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

8. INCOME TAX EXPENSE

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

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

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

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

9. PROFIT FOR THE PERIOD

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

10. DIVIDENDS

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

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

11. EARNINGS PER SHARE

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

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

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

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

12. PROPERTY, PLANT AND EQUIPMENT

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

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

13. TRADE AND OTHER RECEIVABLES

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

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

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

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

14. TRADE AND OTHER PAYABLES

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

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

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

15. BANK AND OTHER BORROWINGS

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

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

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

16. DEFERRED TAXATION

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

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

17. SHARE CAPITAL

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

Notes:

(i) On 18 August 2010, the Company was incorporated in Bermuda under the Companies Act as an exempted company with an authorised share capital of HK$200,000 divided into 2,000,000 Shares. On 1 September 2010, one Share was allotted and issued, nil paid, to Mr. Hu Zheng.

(ii) On 4 March 2011, the authorised share capital of the Company was increased from HK$200,000 divided into 2,000,000 shares of a par value of HK$0.10 each to HK$100,000,000 divided into 1,000,000,000 shares with a par value of HK$0.10 each, by the creation of 998,000,000 ordinary shares with a par value of HK$0.10 each.

(iii) On 4 March 2011, the Company issued 1,999,999 ordinary shares of HK$0.1 each pursuant to the Group Reorganisation in exchange for the entire issued share capital of TYAZ International Limited and became the ultimate holding company of the Group.

(iv) Pursuant to written resolutions on 19 May 2011, the Directors resolved to capitalise HK$37,300,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par of 373,000,000 Shares as a result of Global Offering (as defined in the "Prospectus").

(v) In connection with the Company's initial public offering, 125,000,000 Shares of HK$0.10 each were issued at a price of HK$1.43 for a total cash consideration, before expenses, of approximately HK$178,750,000 (equivalent to RMB148,917,000). Dealings in these Shares on the Main Board of the Stock Exchange commenced on 3 June 2011.

18. PLEDGE OF ASSETS

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

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

19. OPERATING LEASES

The Group as lessee

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

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

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

20. CAPITAL COMMITMENTS

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

21. RELATED PARTIES TRANSACTIONS AND BALANCES

(a) Name and relationship

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

(b) Related parties transactions

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

(c) Operating lease commitments to related parties as lessee

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

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

(d) Related parties balances

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

(e) Remuneration of key management

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

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

Paper-based packaging products

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

Corrugated medium paper

The turnover of corrugated medium paper recorded 16.7% growth from RMB207.1 million to RMB241.6 million, which was mainly due to the increase in the average selling price. Our price had been adjusted by about 15% in order to reflect the increase in cost. Our gross profit margin and sales quantity was keeping at a similar level compared to the same period of last year. The average utilization rate of our paper production line was over 95% which was in line with last year. We expect that the growth of paper production business will be minimal this year until a new paper production line, with 220,000 tonne production capacity, starts to operate in December 2011.

Prospects

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

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

a. To increase our production capacity within the Southern China region and to enhance our production efficiency and quality assurance and control systems;

b. To establish new paper-based packaging production bases to achieve regional development;

c. To enhance market penetration in existing markets and to provide value-added paper-based packaging solutions;

d. To strengthen our growth through organic growth, selective acquisitions and partnerships;

e. To invest in research and development initiatives in order to enhance our production capacity, production efficiency and product diversification; and

f. To fully implement an improved ERP system for better management control and to enhance corporate governance

Distribution and selling expenses

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

Administrative expenses

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

Finance costs

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

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

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash flow

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

Inventories

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

Trade receivables

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

Trade payables

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

Gearing ratio

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

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

Pledge of assets

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

Contingent liabilities

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

CORPORATE GOVERNANCE

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.zhengye-cn.com). The interim report for the six months ended 30 June 2011 will be dispatched to the shareholders and will be available on the aforesaid websites in due course.

AUDIT COMMITTEE REVIEW

The condensed consolidated financial statements of the Group for the six months ended 30 June 2011 have not been audited but have been reviewed by Deloitte Touche Tohmatsu, the auditors and Audit Committee of the Company.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

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

EVENTS AFTER THE REPORTING PERIOD

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

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

Hong Kong, 22 August 2011

As at the date of this announcement, the Board comprised Mr. Hu Zheng, Mr. Hu Hanchao and Mr. Hu Hancheng as executive directors, Mr. Hu Hanxiang as non-executive director and Mr. Chung Kwok Mo John, Mr. Wu Youjun and Mr. Zhu Hongwei as independent non-executive directors.