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 2015

FINANCIAL HIGHLIGHT:

- Revenue recorded a growth of 12.00% to RMB882,577,000;
- Gross profit climbed up 32.46% to RMB179,012,000;
- Gross profit margin increased from 17.15% to 20.28% due to the fully operation for the completion of integration and technical improvement of new acquired two production lines from Paper Division at March during the period. Also, the increased in selling price per unit of corrugated medium paper and have an effective policy to control in each production cost strictly in the period;
- Profit and total comprehensive income recorded RMB38,344,000 during the period. The profit and total comprehensive income for the period attributable to owners of the Company was RMB32,359,000, represented an increase of 110.55% in the same period last year. It was mainly due to a significant growth in gross profit margin from Paper Division and the Group have a control in distribution and selling expenses, administrative expenses and finance costs strictly during the period, which caused the a sharp increase in gross profit compared to the same period last year;
- Basic and diluted earnings per share were RMB0.06 during the period.

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 2015 (the "**period**" or the "**period under review**") together with the comparative figures for the corresponding period in 2014 as set out below.

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		**983,637**	947,301
Prepaid lease payments		**214,334**	211,879
Other intangible assets		**3,520**	4,137
Deferred tax assets		**1,089**	1,191
Deposits paid for acquisition of property, plant and equipment		**5,482**	16,422
		1,208,062	1,180,930
Current Assets			
Inventories		**167,362**	147,385
Trade and other receivables	**11**	**1,052,907**	1,038,878
Prepaid lease payments		**4,059**	5,530
Pledged bank deposits		**147,856**	145,932
Short-term investment		**-**	5,000
Bank balances and cash		**79,914**	41,571
Tax recoverable		**-**	1,282
		1,452,098	1,385,578
Current Liabilities			
Trade and other payables	**12**	**745,184**	731,291
Tax liabilities		**16,358**	8,207
Bank borrowings		**886,631**	829,086
Other borrowings		**41,763**	30,288
Obligations under finance leases		**314**	311
Amounts due to directors		**2,469**	2,237
Loans from a non-controlling equity owner of subsidiaries		**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

	NOTES	**30 June 2015 RMB'000 (unaudited)**	31 December 2014 RMB'000 (audited)
Capital and Reserves			
Share capital	**13**	**41,655**	41,655
Reserves		**538,295**	505,936
Equity attributable to owners of the Company		**579,950**	547,591
Non-controlling interests		**114,841**	108,856
Total Equity		**694,791**	656,447
Non-current Liabilities			
Deferred tax liabilities		**2,213**	2,240
Deferred income		**26,304**	27,037
Bank borrowings		**45,500**	52,500
Other borrowings		**16,089**	20,783
Obligations under finance leases		**8,585**	8,498
Loans from a non-controlling equity owner of subsidiaries		**138,480**	154,113
		237,171	265,171
		931,962	921,618

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.

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**

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
Group's 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.

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)
Loss (gain) on disposals of property, plant and equipment	**(84)**	48
Gain on bargain purchase	**-**	3,178
	2,952	(2,328)

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**

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**	5,774
Hong Kong Profits Tax	**-**	39
Deferred tax		
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.

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.

* *For identification purpose only*

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 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.

11. TRADE AND OTHER RECEIVABLES

	30 June	31 December
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(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

The following is an aged analysis of bills 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

12. 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

The following is an aged analysis of the Group's bills 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.

13. 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**

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 corrugated medium paper 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 corrugated medium paper 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 two corrugated medium paper 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 corrugated medium paper 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.

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.

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.

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%.

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.

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.

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 35.02% (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.

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*（レンゴー株式会社）, 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.

* *For identification purpose only*

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.

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 2015 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 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.

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

Hong Kong, 28 August 2015

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