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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 2019

FINANCIAL HIGHLIGHT

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Revenue	**1,188,875**	1,409,130
Gross Profit Margin	**20.86%**	16.93%
EBITDA	**143,951**	130,679
Profit attributable to the owners of the Company for the period	**51,382**	50,503
Return on equity attributable to the owners of the Company for the period	**5.74%**	5.67%
Basic earnings per share – RMB	**10cents**	10cents

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 2019 (the "**period**" or the "**period under review**") together with the comparative figures for the corresponding period in 2018 as set out below.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	NOTES	Six months ended 30 June **2019** **RMB'000** **(unaudited)**	 2018 RMB'000 (unaudited)
Revenue	**3**	**1,188,875**	1,409,130
Cost of sales		**(940,920)**	(1,170,571)
Gross profit		**247,955**	238,559
Other income	**4**	**4,001**	5,314
Other gains and losses	**5**	**(979)**	727
Distribution and selling expenses		**(35,822)**	(34,490)
Administrative and other expenses		**(68,537)**	(69,021)
Finance costs	**6**	**(20,825)**	(23,898)
Research and development expenses		**(44,324)**	(47,256)
Profit before tax	**7**	**81,469**	69,935
Income tax expense	**8**	**(16,796)**	(12,581)
Profit and total comprehensive income for the period		**64,673**	57,354
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**51,382**	50,503
Non-controlling interests		**13,291**	6,851
		64,673	57,354
EARNINGS PER SHARE			
Basic (RMB)	**10**	**0.10**	0.10

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2019

	NOTES	**30 June 2019 RMB'000 (unaudited)**	31 December 2018 RMB'000 (audited)
Non-current Assets			
Property, plant and equipment		**872,275**	891,169
Right-of-use-assets		**194,737**	-
Prepaid lease payments		**-**	153,858
Other intangible assets		**137**	338
Deferred tax assets		**5,161**	4,070
Deposits paid for acquisition of property, plant and equipment		**8,375**	2,771
		1,080,685	1,052,206
Current Assets			
Inventories		**135,053**	161,778
Trade and other receivables	**11**	**835,215**	951,153
Contract assets		**18,475**	19,257
Prepaid lease payments		**-**	4,720
Tax recoverable		**-**	818
Pledged bank deposits		**139,873**	108,910
Bank balances and cash		**232,348**	258,981
		1,360,964	1,505,617
Current Liabilities			
Trade and other payables	**12**	**272,997**	473,686
Tax liabilities		**4,952**	7,749
Lease liabilities		**7,770**	-
Bank borrowings		**923,171**	904,345
Other borrowings		**57,953**	47,340
Obligations under finance leases		**-**	394
Contract liabilities		**2,198**	2,644
Amounts due to directors		**481**	2,181
		1,269,522	1,438,339
Net Current Assets		**91,442**	67,278
Total Assets Less Current Liabilities		**1,172,127**	1,119,484

	NOTES	**30 June 2019 RMB'000 (unaudited)**	31 December 2018 RMB'000 (audited)
Capital and Reserves			
Share capital	**13**	**41,655**	41,655
Reserves		**853,452**	852,070
Equity attributable to owners of the Company		**895,107**	893,715
Non-controlling interests		**192,945**	179,654
Total Equity		**1,088,052**	1,073,379
Non-current Liabilities			
Deferred tax liabilities		**4,237**	7,525
Deferred income		**33,223**	25,742
Lease liabilities		**33,301**	-
Other borrowings		**13,314**	5,786
Obligations under finance leases		**-**	7,052
		84,075	46,105
		1,172,127	1,119,484

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**").

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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

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:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatment
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Impacts and changes in accounting policies on application of HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("**HKAS 17**"), and the related interpretations.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised additional lease liabilities of RMB41,071,000 in the related lease liabilities by applying HKFRS16.C8(b)(ii) transition at 1 January 2019. The Group further reclassified prepaid rent of RMB39,754,000 and prepaid lease payments of RMB158,758,000, to right-of-use assets.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5.76%.

3. SEGMENT INFORMATION

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

Six months ended 30 June 2019 (unaudited)

	Corrugated medium paper **RMB'000**	Paper-based packaging **RMB'000**	Total **RMB'000**
REVENUE			
External sales	**753,118**	**435,757**	**1,188,875**
Inter-segment sales	**74,756**	**-**	**74,756**
Segment revenue	**827,874**	**435,757**	**1,263,631**
Eliminations			**(74,756)**
Group Revenue			**1,188,875**
Segment profit	**71,744**	**14,402**	**86,146**
Unallocated corporate income, net			**(4,677)**
Profit before tax			**81,469**

Six months ended 30 June 2018 (unaudited)

	Corrugated medium paper RMB'000	Paper-based packaging RMB'000	Total RMB'000
REVENUE			
External sales	882,741	526,389	1,409,130
Inter-segment sales	92,690	-	92,690
Segment revenue	975,431	526,389	1,501,820
Eliminations			(92,690)
Group Revenue			1,409,130
Segment profit	32,543	40,164	72,707
Unallocated corporate income, net			(2,772)
Profit before tax			69,935

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	
	2019	2018
	RMB’000	RMB’000
	(unaudited)	(unaudited)
Interest income	**2,161**	1,417
Government grant	**1,533**	2,958
Sundry income	**307**	939
	4,001	5,314

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2019	2018
	RMB’000	RMB’000
	(unaudited)	(unaudited)
Exchange (loss) gain, net	**(1,190)**	793
Gain (loss) on disposal of property, plant and equipment	**211**	(66)
	(979)	727

6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB’000	RMB’000
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings	**18,440**	21,180
Other borrowings	**2,125**	2,479
Finance lease	**260**	239
	20,825	23,898

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2019	2018
	RMB’000	RMB’000
	(unaudited)	(unaudited)
Profit before tax has been arrived at after charging the following items:		
Depreciation of property, plant and equipment	**39,096**	35,092
Amortisation of right-of-use assets	**2,360**	-
Amortisation of prepaid lease payments	**-**	1,553
Amortisation of other intangible assets (included in cost of sales)	**201**	201

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax	**21,175**	16,580
Deferred tax		
Current period	**(4,379)**	(3,999)
Income tax expense	**16,796**	12,581

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 ("the "**Bill**") which introduces the two-tiered profit tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profit tax rates regime, the first Hong Kong dollars ("**HK$**") 2 million of profits of the qualifying group entity will be taxed at 8.25%, and profit above HK$2 million will be taxed at 16.5%. The profit of the Group entities not qualifying for the two-tiered profit tax rates regime will continue to be taxed at a flat rate of 16.5%

Accordingly, stating from the current year, the Hong Kong profit tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profit above HK$2 million.

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for both periods.

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. Certain PRC subsidiaries approved as advanced-technology enterprises by the relevant government authorities are subject to a preferential rate of 15%. During the period, two subsidiaries were renewed its Advanced-technology Enterprise Certificate and is eligible for tax concession of 15% up to year 2021.

9. DIVIDENDS

The directors have determined that no interim dividend has been paid for the six months ended 30 June 2019.

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**51,382**	50,503
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**500,000,000**	500,000,000

11. TRADE AND OTHER RECEIVABLES

	30 June	31 December
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade receivables	**419,037**	504,144
Less: allowance for doubtful debts	**(1,771)**	(1,872)
	417,266	502,272
Trade receivables backed by bank bills	**394,205**	423,006
	811,471	925,278
Advances to suppliers	**6,181**	5,721
Prepayment	**7,315**	6,271
Other receivables	**10,248**	13,83
	23,744	25,875
Total trade and other receivables	**835,215**	951,153

As at 30 June 2019 and 31 December 2018, gross amount of trade receivables from contracts with customers amounted to RMB813,242,000 and RMB927,150,000 respectively.

The Group allows an average credit period of 30 to 120 days from the invoice date to its trade customers except for the customers newly accepted of which payment is made when goods are delivered. For customers with good credit quality, the Group also allows them to provide bank bills before the due date of trade receivables. Those bills have maturity ranging from 60 to 180 days guaranteed by bank.

As at 30 June 2019, total bills received amounting to RMB394,205,0000 (31 December 2018: RMB423,006,000) are held by the Group for future settlement of trade receivables, of which certain bills were further discounted/endorsed by the Group. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

The following is an aged analysis of trade receivables not backed by bank bills presented based on dates of delivery of goods, at the end of the reporting period:

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
0 to 60 days	**312,342**	390,587
61 to 90 days	**66,184**	60,685
91 to 180 days	**31,518**	47,342
Over 180 days	**7,222**	3,658
	417,266	502,272

The aged analysis of trade receivables backed by bank bills based on dates of delivery of goods or recognition date of the gross trade receivables, at the end of the reporting period are analysed as follows:

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
0 to 60 days	**149,516**	38,190
61 to 90 days	**76,043**	89,297
91 to 180 days	**167,083**	202,622
Over 180 days	**1,563**	92,897
	394,205	423,006

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

12. TRADE AND OTHER PAYABLES

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Trade payables	**133,659**	205,383
Bills payables – secured	**58,868**	165,928
Other taxes payables	**54,292**	47,052
Payroll and welfare payables	**20,363**	34,170
Construction payables	**-**	3,951
Others	**5,815**	17,202
	272,997	473,686

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

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
0 to 60 days	**125,731**	140,238
61 to 90 days	**2,555**	17,670
91 to 180 days	**1,832**	35,279
Over 180 days	**3,541**	12,196
	133,659	205,383

The aged analysis of the Group's bills payables presented based on dates of receipt of goods at the end of the reporting period are analysed as follows:

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
0 to 60 days	**9,316**	40,597
61 to 90 days	**13,059**	20,064
91 to 180 days	**36,493**	17,167
Over 180 days	**-**	88,100
	58,868	165,928

The credit period on purchase of material is 30 to 120 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 2018, 30 June 2018, 1 January 2019 and 30 June 2019	**1,000,000,000**	**100,000,000**
Issued and fully paid:		
At 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	**500,000,000**	**50,000,000**
		RMB'000
Presented as: (At 31 December 2018 and 30 June 2019)		**41,655**

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group is principally engaged in the production and sale of corrugated medium paper products using recycled waste paper as raw materials, as well as supporting paper-based packaging products for domestic and foreign well-known household air conditioners, food seasonings, small household electronic products and other manufacturers, including design the comprehensive services such as printing, logistics and other customer services provide customers with integrated packaging solutions. The Group is committed to becoming the leading environmental friendly paper packaging company in China.

The Group's products mainly include corrugated medium paper and paper-based packaging products (including watermarked cartons, colour printing cartons and honeycomb paper-based products).

The Group currently has six subsidiaries and one holding subsidiary in different regions of China to conduct business and provide quality services to customers.

The low-weight and high-strength corrugated medium paper products produced by the Group are favoured by customers in the market segment with stable quality and leading service.

The Group's paper-based packaging products have been deeply cultivated for many years in air-conditioning packaging, condiment packaging and small household electronic product packaging. They have been trusted by many well-known brands at home and abroad, and have a group of customers who have established stable relationships for more than ten years.

For the six months ended 30 June 2019:

- The Group achieved operating revenue of RMB1,188,875,000, a decrease of 15.63% compared with the same period of last year;

- The profit for the period attributable to owners of the Company was RMB51,382,000, representing an increase of 1.74% as compared with the same period last year; and

- The basic earnings per share of the Company was RMB10 cents approximately.

Macro Environment

In the first half of 2019, the impact of Sino-US trade friction has turned to the actual level, and the substantial impact has increased significantly. It has been reflected in exports, industrial transfer, investment, etc. At the same time, with the slowdown in national economic growth, it slowed down in consumption growth. As a result, the consumption structure changed significantly, service consumption exceeded commodity consumption, and household consumption showed a step-down. Against the background of increasing external environmental uncertainty factors, China adheres to the supply-side structural reform as the main line and actively responds to internal and external challenges. The first half of the year has continued the overall stable development. However, due to the long-term solution to the structural institutional conflicts, the economic operation will face further downward pressure. China also proposes to continue to maintain the strategic strength and resistance dealing with the complicated situation. We will pay close attention to the major changes in the international and domestic economic situation, increase the resilience of economic development, and continue to enhance the quality of economic development in China.

Products Review

Corrugated medium paper
Since 2019, the downstream of packaging enterprises in the paper industry have continued to weaken their orders due to the slowdown in domestic consumption and the downward trend of exports, which caused the price of raw paper products has been under pressure. The Group's paper-making business continued to strive to expand its customer base and stabilize product quality during the period. Intensified research and development of new products and the introduction of products adapted to market demand. It achieved the operating turnover of RMB753,118,000 during the first half of 2019, representing a decrease of 14.68% compared with the same period of last year, it was mainly due to the decrease in product prices approximately 13% over the same period last year. The gross profit margin in the first half of 2019 was 19.45%, compared with 14.22% in the same period last year, it rose by 5.23 percentage points, it is mainly due to the internal implementation of various cost and cost controls. However, the market price of raw paper has continued to decline since May 2019 due to market demand, while the cost of purchasing waste paper has remained unchanged. It is expected that the competition for paper-making business will further intensify in the second half of 2019.

Paper-based packaging products
During the period under review, the Group's paper-based packaging business was affected by the macro environment. The downstream customers' orders decreased about 5% and the order price dropped around 12%. The Group's paper packaging business achieved operating turnover of RMB435,757,000 during the period, a decrease of 17.22% compared with the same period of last year. The operating income of floating watermark cartons, colour printing cartons and honeycomb paper-based products was RMB274,456,000, RMB67,523,000 and RMB93,778,000 respectively. (The six months ended June 30, 2018 were RMB328,063,000, RMB81,941,000 and RMB116,385,000 respectively). The gross profit margin for the period was 20.17%, represented a decrease of 1.31 percentage points of 21.48% for the same period last year. The Group relied on its many years of business strength to stabilize existing customer orders and improve product quality, and intensified efforts to expand e-commerce during the period. Customers of paper packaging products such as consumer goods, food and beverage, etc., are expected to increase their consumption levels as the domestic consumption environment improves. This part of the customer orders will grow, bringing new profit growth direction to the Group.

Financial review

The Group's revenue for the six months ended 30 June 2019 was approximately RMB1,188,875,000, representing a decrease of approximately RMB220,255,000 or 15.63% from RMB1,409,130,000 for the same period in 2018, of which the turnover of paper-making segment products decreased to RMB129,623,000 compared with last year. The turnover of the packaging segment decreased by RMB90,632,000, it was mainly due to the decline in product prices during the two major business segments, both exceeds around 12% during the period. The Group's gross profit margin for the six-month period ended 30 June 2019 was 20.86%, compared with 16.93% for the six months ended June 30 2018, representing an increase of 3.93 percentage points over the same period last year.

The profit for the period attributable to the owners of the Company was approximately RMB51,382,000, representing an increase of RMB879,000, or 1.74%, compared with RMB50,503,000 for the same period last year for the six months ended 30 June 2019.

Group's profit

For the six months ended 30 June 2019, the Group's profit before income tax was approximately RMB81,469,000, representing an increase of RMB11,534,000 or 16.49% as compared with RMB69,935,000 for the same period last year.

During the period under review, the financial expenses were approximately RMB20,825,000, representing a slight decrease from RMB23,898,000 for the same period last year, it was mainly due to the financing cost was lower about 10% compared with the same period last year.

During the period under review, the income tax expense was approximately RMB16,796,000, representing an increase of RMB4,215,000 from RMB12,581,000 for the same period last year. In the first half of 2019, income tax expense accounted for 20.62% of the Group's revenue before income tax, a slight increase of 2.61 percentage points compared with 17.99% in the same period last year.

PROSPECT

In 2019, China's economy is expected to maintain steady growth, Sino-US trade negotiations will be restarted, and the Chinese government will continue to use innovative ideas and measures to boost the domestic market and improve the domestic consumption environment, thereby expanding domestic demand and attracting investment to achieve the overall goal of steady growth. From the perspective of the industry, the current national environmental protection policy is becoming more and stricter. The domestic waste paper prices of the raw materials in the packaging raw paper industry are fluctuating at a high level. The market-oriented competition faced by the midstream paper industry is becoming increasingly fierce. The downstream paper packaging industry is affected by the consumption, and the industry is booming. Still affected by multiple uncertainties, the industry has entered a stage of slowing growth and continuous optimization of the capacity structure of the stock.

The Group also faces major opportunities and challenges. In this market structure, it insists on product innovation, quality innovation and technological innovation as the driving force for development. On the basis of stabilizing existing customers and orders, it strives to develop more high-quality new customers and a richer product line. More high-quality products to meet the needs of different customers which continue to play the Group's courage to reform and innovation, and constantly strengthen the competitive advantages of the integration of upstream and downstream industrial chain, enhance the Company's competitiveness, and lay a solid foundation for Company's turning challenges into opportunities.

The Group will continue to improve internal management, enhance operational efficiency, increase the optimization and upgrading of machinery and equipment and environmental protection facilities, maintain a reasonable capital structure, maintain ample cash flow, continuously optimize the talent structure, and introduce industry high-end talent management experience and concepts. To enhance the technical strength, in order to cope with the complex and volatile market environment, and strive to achieve profitable growth and create more wealth for shareholders as the economy stabilizes and continues to improve.

Current Assets, Liquidity, Financial Resources And Capital Structure

In 30 June 2019, the Group's main sources of funding were cash generated from operating activities and bank loans.

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Net assets	**1,088,052**	1,073,379
Bank and cash balances (including pledge bank deposits)	**372,221**	367,891
Total borrowings#	**994,438**	957,471
Equity attributable to the Owners of the Company	**895,107**	893,725
Current ratios	**1.07**	1.05
Net gearing ratio*	**69.51%**	65.97%

\# As at 30 June 2019, secured bank borrowings include the discounting of bills receivables from external trade customers amounting to RMB268,483,000 (31 December 2018: RMB353,728,000).

* The net gearing ratio is calculated as net borrowings divided by equity attributable to the Owners of the Company, in which the net borrowings are calculated as total borrowings less bank and cash balances.

Cash flow

As at 30 June 2019, the net amount of the Group's cash flow was RMB232,348,000. The amount arising from operating activity was RMB60,054,000, while the cash outflows of investing and financing activities recorded RMB45,383,000 and RMB41,304,000 during the period under review respectively.

The net amount of the cash outflow generated from investing activities for the purchase of property, plant and equipment in amount of RMB23,353,000.

Capital Expenditure, Commitments and Contingent Liabilities

Capital expenditures

For the six months ended 30 June 2019, the Group's capital expenditure was approximately RMB25,386,000, which was as follows:

	RMB'000	**Percentage of capital expenditure**
Paper projects	**18,138**	**71.45%**
Packaging projects	**7,248**	**28.55%**
Total	**25,386**	**100.00%**

Capital commitments

As at 30 June 2019, the Group had the following capital commitments:

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment and leasehold land contracted for but not provided in the consolidated financial statements	**7,002**	12,855

Contingent liabilities

The Group had no significant contingent liabilities or litigation or arbitration of material importance as at 30 June 2019.

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 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.

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 REVIEW

The condensed consolidated financial statements of the Group for the six months ended 30 June 2019 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.

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 2019 will be dispatched to the shareholders and will be available on the aforesaid websites in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our appreciation to the management team and staff of the Group for their contribution during the period and give our sincere gratitude to all our shareholders and business partners for their continuous support.

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

Hong Kong, 23 August 2019

As at the date of this announcement, the Board comprised Mr. Hu Zheng, Mr. Hu Hancheng and Mr. Hu Hanchao as executive directors, Mr. Chen Riyue as non-executive director and Mr. Chung Kwok Mo John, Mr. Liew Fui Kiang and Mr. Shin Yick Fabian as independent non-executive directors.