Youyuan International Holdings Limited
優源國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2268)

2014 INTERIM RESULTS ANNOUNCEMENT

Financial Highlights

- Revenue decreased by approximately 4.0% to RMB712.0 million
- Profit and total comprehensive income attributable to owners of the Company increased by approximately 1.1% to RMB132.6 million
- Basic earnings per share were RMB0.121
- The Board has declared payment of an interim dividend of HK3.9 cents per share

The board of directors (the "Board") of Youyuan International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 30 June 2014. The Company's audit committee has reviewed the results and the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2014 before recommending them to the Board for approval.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	NOTES	Six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	**711,983**	741,437
Cost of sales		**(489,060)**	(500,158)
Gross profit		**222,923**	241,279
Selling and distribution expenses		**(4,642)**	(4,451)
Administrative expenses		**(39,515)**	(36,600)
Other income and other gains and losses		**3,697**	6,353
Finance costs		**(26,962)**	(19,334)
Other expenses		**(13,580)**	(15,156)
Profit before tax		**141,921**	172,091
Income tax expense	4	**(9,344)**	(41,014)
Profit and total comprehensive income for the period attributable to owners of the Company	5	**132,577**	131,077
Earnings per share — Basic (RMB)	7	**0.121**	0.119

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2014

	NOTES	**At 30 June 2014 RMB'000 (unaudited)**	At 31 December 2013 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,077,072**	2,018,393
Prepaid lease payments		**346,361**	364,555
Deposits paid for acquisition of property, plant and equipment		**21,408**	10,512
		2,444,841	2,393,460
CURRENT ASSETS			
Inventories		**152,238**	140,353
Trade and other receivables	8	**618,815**	730,585
Prepaid lease payments		**7,635**	7,874
Pledged bank deposits		**71,170**	60,170
Time deposit		**35,000**	—
Bank balances and cash		**647,756**	142,130
		1,532,614	1,081,112
Assets classified as held for sale		**14,615**	—
		1,547,229	1,081,112
CURRENT LIABILITIES			
Trade and other payables	9	**328,208**	330,249
Tax liabilities		**522**	21,779
Bank borrowings		**506,433**	573,801
		835,163	925,829
Liabilities associated with assets classified as held for sale		**15,077**	—
		850,240	925,829
NET CURRENT ASSETS		**696,989**	155,283
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,141,830**	2,548,743
NON-CURRENT LIABILITIES			
Bank borrowings		**911,510**	397,000
Deferred taxation		**3,500**	3,500
		915,010	400,500
		2,226,820	2,148,243
CAPITAL AND RESERVES			
Share capital		**95,580**	95,580
Reserves		**2,131,240**	2,052,663
TOTAL EQUITY		**2,226,820**	2,148,243

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

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

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

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

3. SEGMENT INFORMATION

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

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

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

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

	Segment revenue		**Segment results**	
	Six months ended 30 June		**Six months ended 30 June**	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Wrapping tissue paper	**560,088**	531,340	**188,714**	192,299
Copy paper	**84,124**	121,280	**22,951**	36,151
Wall paper backing paper	**896**	—	**(201)**	—
Other products	**66,875**	88,817	**11,459**	12,829
	711,983	741,437	**222,923**	241,279
Selling and distribution expenses			**(4,642)**	(4,451)
Administrative expenses			**(39,515)**	(36,600)
Other income and other gains and losses			**3,697**	6,353
Finance costs			**(26,962)**	(19,334)
Other expenses			**(13,580)**	(15,156)
Profit before tax			**141,921**	172,091

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

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
Charge for the period	**25,105**	41,014
Overprovision in prior period	**(15,761)**	—
	9,344	41,014

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

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

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

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

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

5. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**38,910**	31,231
Release of prepaid lease payments	**3,818**	4,357
Total depreciation and amortisation expenses	**42,728**	35,588
Research and development cost recognised as an expense (included in other expenses)	**13,580**	15,156
Cost of inventories recognised as expenses	**489,060**	500,158

6. DIVIDEND

During the current interim period, a final dividend of HK 6.3 cents per share in respect of the year ended 31 December 2013 (six months ended 30 June 2013: HK 5.3 cents per share in respect of the year ended 31 December 2012) has been declared and paid. The aggregate amount of the final dividend declared and paid in the current interim period amounted to approximately HK$69,300,000 (equivalent to approximately RMB54,000,000) and HK$69,069,000 (equivalent to approximately RMB53,819,000), respectively.

Subsequent to the end of the reporting period, the directors have resolved to declare the payment of an interim dividend of HK 3.9 cents per share for the six months ended 30 June 2014 (six months ended 30 June 2013: HK 3.9 cents per share).

7. EARNINGS PER SHARE - BASIC

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

	Six months ended 30 June	
	2014	2013
	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	**132,577**	131,077

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,100,000,000**	1,100,000,000

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

8. TRADE AND OTHER RECEIVABLES

Trade and other receivables mainly represent approximately RMB605,731,000 (31 December 2013: approximately RMB613,619,000), trade receivables.

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

	At 30 June	At 31 December
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(audited)
0 to 30 days	**166,143**	172,189
31 to 60 days	**159,487**	156,328
61 to 90 days	**154,561**	164,814
91 to 120 days	**125,540**	120,288
	605,731	613,619

9. TRADE AND OTHER PAYABLES

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Trade payables	**129,368**	100,538
Notes payables	**127,000**	150,000
	256,368	250,538
Other payables for acquisition of plant and equipment	**38,601**	43,115
Other tax payables	**13,961**	13,234
Other payables and accrued operating expenses	**19,278**	23,362
	328,208	330,249

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

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

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Within 30 days	**73,759**	67,241
31 to 90 days	**55,609**	33,297
	129,368	100,538

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

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
91 to 180 days	**—**	150,000
181 to 365 days	**127,000**	—

BUSINESS REVIEW

The year 2014 started with a relatively slow first quarter, prompted by a later-than-usual Chinese New Year break that precipitated sluggishness in the run-up to the festive days and subsequently followed by a prolonged resumption to normal activity levels.

Manufacturing and consumption activities gradually picked up in the second quarter of the year. For the first six months of 2014, the total output in the industrial sector increased 8.8% and retail sales of consumer goods rose 10.8% year on year. Nonetheless, exports had yet to recover. The country's total exports by value for the first six months declined 0.9% from the same period last year.

This sluggish manufacturing and consumption situation caused repercussions on the Group's results for the first half. Firstly, prices of wood pulp remained on downward trend during the first half, prompted by generally weak demand across the board and overabundant inventories in most regions. The Group, which generally prices its products at a stable margin above raw material costs and has its proprietary de-inked pulp production capability, had been particularly affected when prices of wood pulp trended down.

On 7 April 2014, the Company as the borrower entered into a facility agreement with a syndicate of seven banks arranged by The Hongkong and Shanghai Banking Corporation Limited and China Citic Bank International Limited as mandated lead arrangers and bookrunners, pursuant to which a 3-year term loan facility in the principal amount of US$110 million was made available to the Company on the terms and conditions stated therein for the purpose of refinancing the existing facilities and other general corporate funding requirements of the Group.

Segmental Analysis

Wrapping tissue paper

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

Total revenue generated from wrapping tissue paper was RMB560.1 million, contributed to approximately 78.7% of the Group's revenue for this reporting period.

Copy paper

Revenue generated from copy paper was RMB84.1 million, representing a decrease of 30.6% when compared with that of the six months ended 30 June 2013, and

contributed to approximately 11.8% of the Group's revenue. The decrease in revenue was mainly due to commencement of modification and upgrading works for 1 production line with a designed annual production capacity of 14,000 tonnes during this reporting period. The works represent part of the regular maintenance routine for the facilities to support product quality at high levels and improve efficiency.

Wall paper backing paper

The wall paper backing paper production line with a designed annual production capacity of 35,000 tonnes completed the trial operation during this reporting period. The first batch of standard products was delivered to customers in June 2014 and generated RMB0.9 million of sales.

Other products

Other products, comprising paper towel and ivory boards, generated revenue of RMB66.9 million during this reporting period and contributed to approximately 9.4% of the Group's revenue for this reporting period.

Geographical Analysis

The Group's revenue was entirely generated from mainland China. Eastern China and Southern China were the largest markets of the Group (by breakdown of locations from which sales were originated), with over 90% of Group's revenue for this reporting period being derived from these two regions.

Operational Analysis

As at 30 June 2014, the Group operated 33 production lines with designed annual production capacities aggregating 320,000 tonnes, including 195,000 tonnes for wrapping tissue paper, 44,000 tonnes for copy paper, 35,000 tonnes for wall paper backing paper and 46,000 tonnes for other products.

During this reporting period, modification and upgrading works for 1 copy paper production line with designed annual production capacity of 14,000 tonnes commenced, with resumption of operation expected in 2015.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Results

Revenue of the Group for the six months ended 30 June 2014 was RMB712.0 million, representing a slight decrease of approximately 4.0% from RMB741.4 million for the six months ended 30 June 2013. Profit and total comprehensive income attributable to owners of the Company increased by approximately 1.1% from RMB131.1 million for the six months ended 30 June 2013 to RMB132.6 million for the six months ended 30 June 2014. The increase in profit and total comprehensive income attributable to owners of the Company was attributable to lower costs from increased use of de-inked pulp and lower income tax expenses, the effect of which was partly set off by the lower overall average selling price of the Group's products.

Basic earnings per share for the six months ended 30 June 2014 increased to RMB0.121 per share when compared with RMB0.119 per share for the six months ended 30 June 2013, based on the profit attributable to owners of the Company of RMB132.6 million (For the six months ended 30 June 2013: RMB131.1 million) and the weighted average of 1,100,000,000 shares (For the six months ended 30 June 2013: 1,100,000,000 shares) in issue during the reporting period.

Gross profit

Gross profit of the Group decreased modestly to RMB222.9 million for the six months ended 30 June 2014 from RMB241.3 million for the six months ended 30 June 2013. Overall gross profit margin of the Group slightly decreased from 32.5% for the six months ended 30 June 2013 to 31.3% for the six months ended 30 June 2014.

Other income and other gains and losses

Other income and other gains and losses of the Group decreased from a net gain of RMB6.4 million for the six months ended 30 June 2013 to a net gain of RMB3.7 million for the six months ended 30 June 2014, mainly due to a decrease in net foreign exchange gain of RMB against other currencies.

Selling and distribution costs

Selling and distribution costs of the Group increased by approximately 4.3% from RMB4.5 million for the six months ended 30 June 2013 to RMB4.6 million for the six months ended 30 June 2014, representing approximately 0.6% and 0.7% of the Group's revenue for the reporting periods, respectively.

Administrative expenses

Administrative expenses of the Group increased by approximately 8.0% from RMB36.6 million for six months ended 30 June 2013 to RMB39.5 million for the six months ended 30 June 2014, representing approximately 4.9% and 5.5% of the Group's revenue for the reporting periods, respectively. The increase was primarily due to increases in depreciation charges for property, plant and equipment, property tax and employee benefits expenses.

Finance costs

Finance costs of the Group increased by approximately 39.5% from RMB19.3 million for the six months ended 30 June 2013 to RMB27.0 million for the six months ended 30 June 2014, primarily due to an increase in the average bank borrowings during the reporting period.

Interest rates of bank loans ranged from 1.68% to 8.31% for the six months ended 30 June 2014, compared with 1.91% to 8.31% for the six months ended 30 June 2013.

Other expenses

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

Taxation

Tax charge decreased by approximately 77.2% from RMB41.0 million for the six months ended 30 June 2013 to RMB9.3 million for six months ended 30 June 2014, primarily due to the lower tax rate applied to the Group's subsidiaries in mainland China starting from 2014. The Group's effective tax rates for the six months ended 30 June 2013 and 2014 were 23.8% and 6.6%, respectively. The decrease in the effective tax rate was mainly due to the entitlement of the preferential tax rate for two of the Group's subsidiaries in mainland China and approximately RMB15,761,000 of an overprovision of income tax for 2013 was credited to profit and loss in this reporting period.

Profit and total comprehensive income attributable to owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased slightly from RMB131.1 million for the six months ended 30 June 2013 to

RMB132.6 million for the six months ended 30 June 2014. The ratio of profit and total comprehensive income attributable to owners of the Company to revenue increased slightly from approximately 17.7% for the six months ended 30 June 2013 to approximately 18.6% for the six months ended 30 June 2014.

Inventories, trade receivables and payables turnover cycle

The Group's inventories mainly comprise raw materials including wood pulp, recovered paper for de-inked pulp production. For the six months ended 30 June 2014, the inventory turnover cycle was approximately 54.1 days (For the year ended 31 December 2013: 50.4 days).

The turnover cycle for trade receivables for the six months ended 30 June 2014 lengthened to 155.0 days (For the year ended 31 December 2013: 110.1 days) primarily due to longer credit periods granted to customers. The Group's standard credit term to customers ranges from 90 days to 120 days.

The turnover cycle for trade and bills payables for the six months ended 30 June 2014 lengthened to 93.8 days (For the year ended 31 December 2013: 72.2 days), which was longer than the 60 days credit period granted by the Group's suppliers.

Borrowings

During this reporting period, the Group secured a US$110.0 million (equivalent to approximately RMB663.5 million) facility from a syndicate of seven banks for a three-year tenor.

As at 30 June 2014, the Group's bank borrowings balance amounted to RMB1,417.9 million, of which RMB506.4 million will be due for repayment within the next twelve months (As at 31 December 2013: RMB970.8 million, of which RMB573.8 million would be due for repayment within the next twelve months).

As at 30 June 2014, the Group's bank borrowings amounted to RMB1,417.9 million, carried at variable interest rates (As at 31 December 2013: RMB799.8 million).

As at 30 June 2014, the Group's net gearing ratio, which was calculated on the basis of total borrowings less bank balances and cash and pledged bank deposits as a percentage of shareholder equity, was 29.8% (As at 31 December 2013: 35.8%).

Pledge of assets

As at 30 June 2014, the Group pledged certain of its property, plant and equipment, land use rights and bank deposits with an aggregate carrying value of RMB483.0 million (As at 31 December 2013: RMB537.0 million) as collaterals for the credit facilities granted to the Group.

Capital expenditure

For the six months ended 30 June 2014, the Group invested RMB98.0 million (For the six months ended 30 June 2013: RMB152.0 million) in construction of production facilities and equipment.

Prospects

Looking ahead, the Central Government of China has started to adopt a gradual relaxation of its monetary tightening policies, complemented by lowering of reserve deposit ratio of commercial banks with the People's Bank of China and implementating other credit easing measures. Manufacturing, consumption and export activities are expected to recover momentarily.

Meanwhile, following a prolonged period of disciplined procurement and aggressive depletion, wood pulp inventories across China are expected to tighten up as manufacturing activities revive, paving the way for the Group to price its products and gain further cost advantages from its self-owned de-inking capability.

In conclusion, barring any unforeseen circumstances, the Group remains cautiously optimistic about the operating environment and the sector in the second half of the year.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Human resources management

As at 30 June 2014, the Group employed approximately 1,800 staff (As at 30 June 2013: approximately 1,900 staff) and the total remuneration for the six months ended 30 June 2014 amounted to approximately RMB37.0 million (For the six months ended 30 June 2013: RMB34.4 million). The Group's remuneration packages are commensurate with the experience and qualifications of individual employees and general market conditions. Bonuses are linked to the Group's financial results as well as individual performances. The Group also ensures that all employees are provided with adequate training and professional development opportunities to satisfy their career development needs.

Dividend

The Board has resolved to declare of an interim dividend for the six months ended 30 June 2014 of HK 3.9 cent per share (For the six months ended 30 June 2013: HK 3.9 cents per share), totaling HK$42,900,000, amounted to

approximately RMB34,500,000. It is expected that the interim dividend will be paid on or about 22 September 2014 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on 12 September 2014.

Closure of register of members

The register of members of the Company will be closed from 8 September 2014 to 12 September 2014 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim dividend (payable on or about 22 September 2014), all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 5 September 2014 for registration of transfer.

Corporate Governance Code

The Company has adopted the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") as its own code of corporate governance. The Directors consider that the Company had complied with all the code provisions as set out in the Code for the six months ended 30 June 2014, except for deviation under code provision E.1.2 of the Code which provides that the chairman of the board should attend the annual general meeting. Mr. Ke Wentuo, the chairman and an executive director of the Company, did not attend the annual general meeting of the Company held on 8 May 2014 in Hong Kong (the "Annual General Meeting") due to other business commitments. The Annual General Meeting was chaired by Mr. Ke Jixiong, the chief executive officer and an executive director of the Company, instead.

The Directors are committed to upholding higher corporate governance standards for the Company to ensure that formal and transparent procedures are in place to protect and optimize interests of the Shareholders.

Model code for securities transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry to all Directors, all Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2014.

Purchase, sale or redemption of the listed securities of our Company

For the six months ended 30 June 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

Audit committee

The Company established an audit committee ("Audit Committee") on 30 April 2010 with written terms of reference based upon the provisions and recommended practices of the Code. The primary responsibilities of the Audit Committee are to review and supervise financial reporting processes and internal control system of the Group. As at 30 June 2014, the Audit Committee comprised Mr. Chow Kwok Wai, Prof. Zhang Daopei and Prof. Chen Lihui, being the three independent non-executive Directors. Mr. Chow Kwok Wai was the chairman of the Audit Committee.

The Audit Committee reviewed the Company's financial reporting and internal control system, and the Group's consolidated financial statements for the year ended 31 December 2013 and the unaudited condensed consolidated financial statements for the six months ended 30 June 2014 in conjunction with the Company's external auditor. The Audit Committee is of the opinion that these statements had complied with the applicable accounting standards, rules and regulations, and that adequate disclosures had been made.

Publication of results announcement and interim report

This announcement is published on the websites of the Company (www.youyuan.com.hk) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The 2014 interim report of the Company will be dispatched to the Shareholders and made available on the same websites in due course.

By Order of the Board
Youyuan International Holdings Limited
KE Wentuo
Chairman

Hong Kong, 14 August 2014

As at the date of this announcement, the executive directors of the Company are Mr. Ke Wentuo, Mr. Ke Jixiong, Mr. Cao Xu and Mr. Zhang Guoduan and the independent non-executive directors of the Company are Prof. Zhang Daopei, Prof. Chen Lihui and Mr. Chow Kwok Wai.