



CHINA FIRST CHEMICAL HOLDINGS LIMITED  
一化控股(中國)有限公司

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 2121



2012  
INTERIM REPORT



## CONTENTS

Management Discussion and Analysis	2
Condensed Consolidated Balance Sheet	13
Condensed Consolidated Statement of Comprehensive Income	15
Condensed Consolidated Statement of Changes in Equity	16
Condensed Consolidated Cash Flow Statement	17
Notes to the Unaudited Condensed Consolidated Interim Financial Information	18
Other Information	43
Corporate Information	47

# MANAGEMENT DISCUSSION AND ANALYSIS

China First Chemical Holdings Limited and its subsidiaries (together the “Group”) are going to celebrate the 1st anniversary of its shares successfully listed on the main board of The Stock Exchange of Hong Kong Limited on 9 December 2011 which marked an important milestone for the Group. During this period, a number of measures have been launched which strengthened our leading position in the PRC market and further expanded our production capacity.

During the period under review, the revenue of the Group was approximately RMB857.8 million, representing an increase of approximately 19.9% from the revenue of approximately RMB715.3 million for the corresponding period of 2011. The gross profit increased by 17.8% to approximately RMB268.7 million from the same period of 2011. The net profit attributable to the equity holders of the Company and the basic earnings per share were approximately RMB152.1 million and approximately RMB0.19, representing an increase of approximately 15.1% and a decrease of approximately 34.5% as compared with the corresponding period last year.

## Business Review

In 2012, under multiple influences initiated by the prolonged European debt crisis and the sluggish global economy, the growth momentum of the macro economy in the PRC has been slowing down. The GDP growth rate in the first half of the year achieved 7.8%. The overall domestic economic was sound and maintained a steady growth while the living standards of people continued to improve.

In the first half of 2012, the Group captured the opportunity of economic conditions and market trend, and fully capitalized on the product quality advantage, production scale, cost advantage of our own hydroelectricity power plant and integrated production chain, so as to ensure product quality and cater to market demand, and to encourage the implementation of technological advancement and process innovation, which increased the overall operating efficiency. In the first half of 2012, the price of the Group’s major products like hydrogen peroxide and foaming agent was slightly dropped due to the slowdown of the economic growth while sodium chlorate recorded a slight rise thanks to the favourable effect brought by a rise in export price.

Following the completion and operation of production facilities for foaming agent of 5,000 tons in September 2011, the Group has increased more efforts on the research and production of the modified and special foaming agents. In addition, through the efforts and contribution of the Group's research and development ("R&D") team and employees, the technology upgrade for the electrolyzers in our existing plants was completed in February 2012, which increased the annual production capacity for sodium chlorate by 10,000 tons. In the first half of 2012, active planning for locations of and land requisition for new plants was made and it is expected that construction will be commenced in this year.

### Future Prospects

In the second half of 2012, under the influence of unanticipated issues, the PRC economic trend was unforeseeable. Nevertheless, it is certain that China economy will continue to grow in the coming years, and the Group will proactively capture market opportunities and cope with market changes. The Group will complete the technology upgrade projects of the existing plants in the second half of 2012, estimated capital expenditures to be approximately RMB490.0 million, in bid to expand production capacity and lower production cost. In addition, the Group will continue to conduct R&D by own efforts, so as to enhance the core competitiveness of the Group; keep stringent production cost control to improve operating efficiency; optimize product design to enhance product quality; implement strategies of talent recruitment and training, so as to fortify a solid foundation for future technological R&D and business development; reinforce the safety and environmental protection work to further improve the introduction of environmental management facilities; maintain stringent supervision and management, and fulfill hierarchical responsibility, so as to ensure "zero accident" regarding plant safety and environmental protection.

The Group will continue to capitalize on its competitive advantage and prominent position in the industry, in order to consolidate and enhance business of the Group, and maximize the return to shareholders.

## Financial Review

### Revenue

Revenue for the period under review was approximately RMB857.8 million, representing an increase of approximately RMB142.5 million or 19.9% from approximately RMB715.3 million for the corresponding period last period. The increase was mainly attributable to the increase in the sales of bleaching and disinfectant chemicals and foaming agent during the period.

The table below sets out our revenue by product groups for the year under review:

	For the six months ended 30 June			
	2012		2011	
	Amount	% of Revenue	Amount	% of Revenue
<b>Revenue (RMB'000)</b>				
Bleaching and disinfectant chemicals	<b>307,338</b>	<b>35.8%</b>	269,051	37.6%
Foaming agent	<b>414,994</b>	<b>48.4%</b>	329,333	46.0%
Other specialty chemicals	<b>135,433</b>	<b>15.8%</b>	116,932	16.4%
<b>Total</b>	<b>857,765</b>	<b>100.0%</b>	715,316	100.0%

### Bleaching and disinfectant chemicals

This segment mainly consists of sodium chlorate and hydrogen peroxide, which are two of our largest sales generating products. Sodium chlorate and hydrogen peroxide are the principal chemicals used in the elemental chlorine free (“ECF”) and total chlorine free (“TCF”) pulp bleaching process by our downstream customers, respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

During the period under review, the total revenue for the bleaching and disinfectant chemicals was RMB307.3 million, representing an increase of approximately 14.2% or RMB38.2 million from the corresponding period last year. The increase in revenue was mainly attributable to the increase in selling price for the export of sodium chlorate, sales of sodium chlorate increased by approximately 44.9% to RMB182.9 million, and increasing its average selling price by approximately 2.2%.

### **Foaming agent**

This segment mainly consists of basic and modified grades of foaming agent. Foaming agent is primarily used in the production of foamed plastics as an additive by the downstream customers of the Group, which is widely applied in the footwear industry, building materials industry, automobile upholstery and furniture and home decoration materials industry.

During the period under review, the total revenue for the foaming agent was RMB415.0 million, representing an increase of approximately 26.0% or RMB85.7 million from the corresponding period last year. The increase was mainly attributable to: (1) the production capacity and sales volumes were increased after the upgrade of our production facilities; and (2) the increase in the usage of self-produced raw materials, for example caustic soda and biurea.

### **Other specialty chemicals**

This segment mainly consists of potassium chlorate, sodium perchlorate, potassium perchlorate, caustic soda, biurea and others.

During the period under review, the total revenue for other specialty chemicals was RMB135.4 million, representing an increase of approximately 15.8% or RMB18.5 million from the corresponding period last year. The increase was mainly attributable to the average selling price of other specialty chemicals agent increasing by approximately 6.8% due to the strong demand from the downstream industries, the sales of caustic soda increased by approximately 56.4% to RMB51.7 million.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Cost of sales

Our cost of sales primarily consists of raw materials used and changes in inventories, electricity and other utility fees, depreciation of property, plant and equipment, employee benefit expenses, transportation and related charges, repairs and maintenance, taxes and levies on main operations, office and entertainment expenses, traveling expenses and other expenses. Raw materials used and changes in inventories, including foaming agent sourced from third parties, is the largest component of our cost of sales, representing 66.5% and 63.0% of our total cost of sales in the period ended 30 June 2012 and 2011, respectively.

During the period under review, our cost of sales increased by approximately RMB101.8 million or 20.9% to RMB589.1 million from RMB487.3 million in the corresponding period last year, which was primarily due to the increase in sales volume of both bleaching and disinfectant chemicals and foaming agent. The percentage for cost of sales to revenue was 68.7% and 68.1% for the six months ended 30 June 2012 and 2011, respectively, reflecting efficient cost control.

### Gross profit and gross margin

Our gross profit increased by approximately RMB40.7 million or 17.9% to RMB268.7 million for the period under review from RMB228.0 million for the corresponding period last year. The overall gross margin slightly decreased from 31.9% for the six months ended 30 June 2012 to 31.3% for the six months ended 30 June 2011, which was primarily due to faster increase in sales of foaming agent which had lower margin.

The table below sets out our approximately gross margins by product groups for the period under review:

Gross margin (%)	For the six months ended 30 June		
	2012	2011	Change
Bleaching and disinfectant chemicals	37.6%	40.3%	(6.7%)
Foaming agent	23.0%	23.7%	(3.0%)
Other specialty chemicals	42.5%	35.5%	19.7%
Overall	31.3%	31.9%	(1.9%)

### **Bleaching and disinfectant chemicals**

The gross margin of bleaching and disinfectant chemicals decreased from 40.3% for the six months ended 30 June 2011 to 37.6% for the six months ended 30 June 2012, which was primarily attributable to: (1) the decrease in average selling price of hydrogen peroxide as a result of market condition; and (2) the decrease was partially offset by the increase in average selling price of sodium chlorate as a result of increase in average selling price for export.

### **Foaming agent**

The gross margin of foaming agent decreased from 23.7% for the six months ended 30 June 2011 to 23.0% for the six months ended 30 June 2012, which was primarily attributable to: (1) the decrease in average selling price of foaming agent as a result of market condition; and (2) the upgrade of our production facilities and the increase in the usage of self-produced raw materials, for example caustic soda and biurea had mitigated the impact of decrease of average selling price.

### **Other specialty chemicals**

The gross margin of other specialty chemicals increased from 35.5% for the six months ended 30 June 2011 to 42.5% for the six months ended 30 June 2012, which was primarily attributable to: (1) higher margin of caustic soda by applying the ion membrane production method which is of higher quality and demanded a higher selling price; and (2) the continuous growth in the demand from downstream customers increasing average selling price.

### **Selling and marketing expenses**

Selling and marketing expenses primarily consist of transportation and related charges for the transport of our products, sales taxes such as urban maintenance and construction tax, educational surtax, and other selling and marketing expenses including travelling expenses. The selling and marketing expenses of the Group increased by 25.0% to RMB19.0 million for the six months ended 30 June 2012 from RMB15.2 million for the six months ended 30 June 2011, which was primarily attributable to: (1) increase in the urban maintenance and construction tax and educational surtax as a result of increase of proportion of domestic sales; (2) the expansion of sales by the Group resulting in higher selling expenses.



### **Administrative expenses**

Administrative expenses primarily consist of depreciation of property, plant and equipment, employee benefit expenses and office and entertainment expenses. The administrative expenses of the Group increased by 13.7% to RMB30.8 million for the six months ended 30 June 2012 from RMB27.1 million for the six months ended 30 June 2011, which was primarily attributable to increase in business activities and growth of operation.

### **Other income**

Other income primarily consists of profit from sales of raw materials and government subsidies. The other income of the Group decreased to RMB0.6 million for the six months ended 30 June 2012 from RMB3.5 million for the six months ended 30 June 2011, which was primarily attributable to the decrease in the sales of raw materials.

### **Other (losses)/gains, net**

Other (losses)/gains, net, mainly consists of the net gain or loss from the disposal of property, plant and equipment. The Group recorded the other losses, net of RMB0.1 million for the six months ended 30 June 2012 as compared to the gains, net of RMB0.4 million for the six months ended 30 June 2011, which was primarily attributable to the increase in net losses arising from the disposal of property, plant and equipment.

### **Finance income**

Finance income relates primarily to interest earned on our bank deposits. The finance income of the Group increased by 172.7% to RMB3.0 million for the six months ended 30 June 2012 from RMB1.1 million for the six months ended 30 June 2011, which was primarily attributable to the increase in interest earned on our bank deposits.

### **Finance costs**

Finance costs primarily consist of interest expenses on bank borrowings, discount interest for bill receivables and other finance charges, less interest capitalized in property, plant and equipment and foreign exchange gains. The finance costs of the Group increased by 28.1% to RMB17.3 million for the six months ended 30 June 2012 from RMB13.5 million for the six months ended 30 June 2011, which was primarily attributable to absence of exchange gains from related party loans during the period.

### **Income tax expense**

The Group is subject to PRC enterprise income tax rate of 25% for all our PRC subsidiaries. The income tax expense of the Group increased by 19.4% to RMB52.4 million for the six months ended 30 June 2012 from RMB43.9 million for the six months ended 30 June 2011. The effective tax rate increased to 25.5% for the six months ended 30 June 2012 from 24.8% for the six months ended 30 June 2011 as a result of adjustments for income and expenses items which were not assessable or deductible for income tax purpose.

### **Profit for the period**

As a result of the foregoing factors, the profit attributable to the equity holders of the Company increased by 15.1% to RMB152.1 million for the six months ended 30 June 2012 from RMB132.2 million for the six months ended 30 June 2011.

### **Profit attributable to non-controlling interests**

The profit attributable to non-controlling interests of the Company decreased by 54.5% to RMB0.5 million for the six months ended 30 June 2012 from RMB1.1 million for the six months ended 30 June 2011, which was primarily attributable to acquisition of whole non-controlling interests of Fuzhou Yihua by Fujian Rongping during the period.

### Liquidity and Capital Resources

#### **Financial position and bank borrowings**

The Group has historically funded our cash requirements principally from cash generated from our operations and bank borrowings, as well as equity financing through shareholders.

The balance of the Group's cash and cash equivalents amounted to approximately RMB1,023.7 million as at 30 June 2012 (As at 31 December 2011: approximately RMB926.1 million), most of which were denominated in Renminbi. As at 30 June 2012, the interest bearing bank borrowings of the Group amounted to approximately RMB454.8 million (As at 31 December 2011: approximately RMB478.6 million).

As at 30 June 2012, the Group's current ratio (calculated as current assets divided by current liabilities) was 2.13 (As at 31 December 2011: 2.06). The Group was in a net cash position as at 30 June 2012 and 31 December 2011. Such significant improvement in our financial position primarily reflected the increase in net profit and cash flow for the period.

#### **Working capital**

Inventories were approximately RMB105.9 million in total as at 30 June 2012, as compared with approximately RMB101.1 million as at 30 June 2011. The increase was primarily due to higher utilization rate of our production capacity. Average inventory turnover days were 32 days for the six months ended 30 June 2012 (For the six months ended 30 June 2011: 39 days).

As at 30 June 2012, trade receivables amounted to approximately RMB327.9 million in total, as compared with approximately RMB336.8 million as at 30 June 2011. The decrease was primarily attributable to continuous growth in our sales against the prudent collection of trade receivables. The average trade receivables turnover days were 70 days for the six months ended 30 June 2012 (For the six months ended 30 June 2011: 67 days).

As at 30 June 2012, trade and bills payables amounted to approximately RMB290.4 million in total, as compared with approximately RMB236.6 million as at 30 June 2011. The increase was mainly due to the increase in the sales during the period by the Group. The average trade and bills payables turnover days were 80 days for the six months ended 30 June 2012 (For the six months ended 30 June 2011: 84 days).

**Use of net proceeds from the initial public offering**

The net proceeds estimated to have been raised by the Company through the issue of 200,000,000 new shares and 2,191,000 new shares, at an offer price of HK\$2.7 per share upon the listing on the Stock Exchange on 9 December 2011, and upon the exercise of over-allotment option on 3 January 2012, respectively, after deducting brokerage and other costs and expenses payable by the Company, amounted to approximately HK\$449.3 million (equivalent to approximately RMB366.0 million). The use of the net proceeds from the initial public offering by the Group was consistently the same as those set out in the section headed "Use of Proceeds" in the prospectus of the Company dated 29 November 2011. For the six months ended 30 June 2012, the net proceeds were applied in the following manner:

Use of proceeds	Net proceeds from initial public offering (HK\$ million)		
	Available	Applied	Not yet applied
To be used for the upgrade and expansion of existing production facilities	292.1	126.8	165.3
To be used in merger and acquisition	112.3	–	112.3
To be used for general working capital	44.9	44.9	–
<b>Total</b>	<b>449.3</b>	<b>171.7</b>	<b>277.6</b>

To the extent that the net proceeds were not yet applied as at 30 June 2012, the Company had deposited the same into short term bank deposits or term deposits at licensed banks in Hong Kong or the PRC.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### **Capital commitments**

As at 30 June 2012, the capital commitments of the Group were approximately RMB79.5 million, which were mainly related to the construction of additional production lines and the purchases of equipment for the upgrade of existing production facilities.

### **Contingent liabilities**

As at 30 June 2012, the Group had not provided any form of guarantee for any company outside the Group. The Group is not involved in any current material legal proceedings, nor is our Group aware of any pending or potential material legal proceedings involving the Group.

# CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights	6	76,449	77,331
Property, plant & equipment	7	777,693	773,606
Deferred income tax assets		–	170
Prepayment for Property, plant & equipment		26,185	1,834
		<b>880,327</b>	852,941
<b>Current assets</b>			
Inventories		105,893	101,056
Trade and other receivables	8	329,331	341,963
Restricted cash		60,041	37,692
Cash and cash equivalents		1,023,710	926,148
		<b>1,518,975</b>	1,406,859
<b>Total assets</b>		<b>2,399,302</b>	2,259,800
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	9	65,346	65,168
Reserves	10	790,697	784,936
Retained earnings		677,291	565,854
		<b>1,533,334</b>	1,415,958
Non-controlling interests		–	10,402
<b>Total equity</b>		<b>1,533,334</b>	1,426,360

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	<b>As at 30 June 2012 RMB'000 (Unaudited)</b>	As at 31 December 2011 RMB'000 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	11	137,310	137,310
Deferred income	13	14,629	14,743
		<b>151,939</b>	152,053
<b>Current liabilities</b>			
Trade and other payables	12	368,080	310,732
Current income tax liabilities		28,497	29,319
Borrowings	11	317,452	341,336
		<b>714,029</b>	681,387
<b>Total liabilities</b>		<b>865,968</b>	833,440
<b>Total equity and liabilities</b>		<b>2,399,302</b>	2,259,800
<b>Net current assets</b>		<b>804,946</b>	725,472
<b>Total assets less current liabilities</b>		<b>1,685,273</b>	1,578,413

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		<b>Six months ended 30 June</b>	
	Note	<b>2012</b> <b>RMB'000</b> <b>(Unaudited)</b>	2011 RMB'000 (Audited)
Revenue	14	<b>857,765</b>	715,316
Cost of sales	14, 15	<b>(589,096)</b>	(487,333)
<b>Gross profit</b>		<b>268,669</b>	227,983
Selling and marketing expenses	15	<b>(18,995)</b>	(15,200)
Administrative expenses	15	<b>(30,763)</b>	(27,071)
Other income	16	<b>571</b>	3,511
Other (losses)/gains – net	17	<b>(116)</b>	350
<b>Operating profit</b>		<b>219,366</b>	189,573
Finance income	18	<b>3,023</b>	1,127
Finance costs	19	<b>(17,338)</b>	(13,523)
Finance costs-net		<b>(14,315)</b>	(12,396)
<b>Profit before income tax</b>		<b>205,051</b>	177,177
Income tax expense	20	<b>(52,380)</b>	(43,927)
<b>Profit and total comprehensive income for the period</b>		<b>152,671</b>	133,250
<b>Attributable to:</b>			
– Equity holders of the Company		<b>152,134</b>	132,185
– Non-controlling interests		<b>537</b>	1,065
		<b>152,671</b>	133,250
<b>Earnings per share attributable to the equity holders of the Company (RMB Yuan)</b>			
– Basic	21	<b>0.19</b>	0.29
– Diluted	21	<b>0.19</b>	0.29
<b>Dividends</b>	22	<b>40,697</b>	100,374



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company								
		Share capital	Share premium	Capital reserve	Statutory surplus reserve	Share-based compensation reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
Note		RMB'000 (Note 9)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>(Audited)</b>										
	<b>Balance at 1 January 2011</b>	-	-	262,192	72,279	-	326,348	660,819	8,047	668,866
	Profit for the period	-	-	-	-	-	132,185	132,185	1,065	133,250
	Issue of ordinary share for extinguishment of debts by the Parent Company	-	-	209,332	-	-	-	209,332	-	209,332
	Dividend distribution	-	-	(100,374)	-	-	-	(100,374)	-	(100,374)
	<b>Balance at 30 June 2011</b>	-	-	371,150	72,279	-	458,533	901,962	9,112	911,074
<b>(Unaudited)</b>										
	<b>Balance at 1 January 2012</b>	65,168	312,699	371,150	100,942	145	565,854	1,415,958	10,402	1,426,360
	Profit for the period	-	-	-	-	-	152,134	152,134	537	152,671
	Issue of ordinary shares in connection with the IPO over-allotment	9(c) 178	4,629	-	-	-	-	4,807	-	4,807
	Share-based payment expense	9(d) -	-	-	-	1,193	-	1,193	-	1,193
	Acquisition of non-controlling interests	10 -	-	(61)	-	-	-	(61)	(10,939)	(11,000)
	Dividend distribution	-	-	-	-	-	(40,697)	(40,697)	-	(40,697)
	<b>Balance at 30 June 2012</b>	65,346	317,328	371,089	100,942	1,338	677,291	1,533,334	-	1,533,334

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		<b>Six months ended 30 June</b>	
	Note	<b>2012 RMB'000 (Unaudited)</b>	2011 RMB'000 (Audited)
<b>Net cash generated from operating activities</b>		<b>227,547</b>	142,171
<b>Cash flows from investing activities</b>			
Purchase of available-for-sale financial assets		–	(10,500)
Purchases of property, plant and equipment		<b>(52,992)</b>	(27,914)
Proceeds from sale of property, plant and equipment		–	1,029
Proceeds from government grants		<b>450</b>	5,230
Repayments from related parties	24	–	6
Net cash used in investing activities		<b>(52,542)</b>	(32,149)
<b>Cash flows from financing activities</b>			
Borrowings from bank		<b>197,657</b>	244,294
Repayments of borrowings to bank		<b>(221,541)</b>	(242,182)
Repayments of borrowings to related parties	24	–	(5,680)
Repayments of borrowings to third parties		–	(589)
Acquisition of non-controlling interests		<b>(11,000)</b>	–
Proceeds from issue of ordinary shares in connection with the IPO over-allotment		<b>4,807</b>	–
Payments of IPO expenses		<b>(6,118)</b>	(9,588)
Dividends paid		<b>(40,697)</b>	(100,374)
Net cash used in financing activities		<b>(76,892)</b>	(114,119)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>98,113</b>	(4,097)
Cash and cash equivalents at beginning of period		<b>926,148</b>	397,231
Exchange loss on cash and cash equivalents		<b>(551)</b>	(354)
<b>Cash and cash equivalents at end of period</b>		<b>1,023,710</b>	392,780

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. General Information

China First Chemical Holdings Limited (“the Company”) and its subsidiaries (together the “Group”) manufacture and sell bleaching and disinfectant chemical products, foaming agent and other specialty chemical products in the People’s Republic of China (the “PRC”).

The Company was incorporated in the Cayman Islands on 24 November 2010, as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

The Company’s shares are listed on Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in thousands of Renminbi (“RMB’000”), unless otherwise stated, and approved for issue on 28 August 2012 by the Board of Directors.

This condensed consolidated interim financial information has not been audited.

## 2. Basis of Preparation

This condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with International Accounting Standards (“IAS”) 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

### 3. Summary of Significant Accounting Policies

The accounting policies applied in the preparation of the condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2011, unless otherwise stated.

There are no amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

There are certain new standards and amendments to standards which have been issued but are not yet effective for the year beginning 1 January 2012 and have not been early adopted by the Company in the unaudited condensed interim financial information. Management expected the adoption of the above would not have significant impact on the Group.

### 4. Financial Risk Management

#### 4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and interest rate risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

There have been no changes in the risk management department since period end or in any risk management policies.

4. **Financial Risk Management** (*Continued*)

**4.2 Fair value estimation**

The carrying amounts of the Group's financial assets, including cash and cash equivalents, restricted cash, receivables; and financial liabilities including payables, short-term borrowings, approximate their fair values due to their short maturities. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

5. **Segment Information**

The Group is principally engaged in the chemical products business in the PRC. Separate individual financial information of the three locations where the principal operations of the Group is located are presented to the chief operating decision maker (the Board of Directors) who reviews the internal reporting in order to assess performance and allocate resources. Due to the similarities in economic characters, nature of products and production, customers, etc, they are aggregated into a single reportable segment. Majority of the Group's products are sold to customers in the PRC. The Group has a large number of customers, which are widely dispersed within the PRC and Southeast Asia, no single customer accounted for more than 10% of the Group's total revenues for the six months ended 30 June 2012.

6. Land use rights

	<b>As at 30 June</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Cost	<b>88,206</b>	88,206
Accumulated amortisation	<b>(11,757)</b>	(9,993)
Net book value	<b>76,449</b>	78,213
<b>Representing:</b>		
Opening net book amount	<b>77,331</b>	79,095
Amortisation ( <i>Note 15</i> )	<b>(882)</b>	(882)
<b>Closing net book amount</b>	<b>76,449</b>	78,213

The Group's interests in land use rights represent prepaid operating lease payments. All of the Group's land use rights are located in PRC and with the lease period ranging from 50 to 70 years.

Land use rights with net value of RMB3,091,000 and RMB15,499,000 as at 30 June 2012 and 31 December 2011 respectively were secured for bank borrowings (Note 11).

7. Property, Plant and Equipment

	<b>Total</b>
	RMB'000
<b>(Audited)</b>	
<b>Six months ended 30 June 2011</b>	
Opening net book amount as at 1 January 2011	710,654
Additions	15,669
Disposals	(679)
Depreciation ( <i>Note 15</i> )	(29,078)
Closing net book amount as at 30 June 2011	696,566
<b>(Unaudited)</b>	
<b>Six months ended 30 June 2012</b>	
Opening net book amount as at 1 January 2012	773,606
Additions	37,018
Disposals	(116)
Depreciation ( <i>Note 15</i> )	(32,815)
Closing net book amount as at 30 June 2012	777,693

8. Trade and Other Receivables

	<b>As at 30 June 2012 RMB'000 (Unaudited)</b>	As at 31 December 2011 RMB'000 (Audited)
Trade receivables (a)	<b>327,906</b>	336,813
Prepayments	–	4,095
Other receivables	<b>1,425</b>	1,055
	<b>329,331</b>	341,963

The carrying amounts of receivables approximate their fair values.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

8. Trade and Other Receivables (Continued)

- (a) The Group has a large number of customers, which are widely dispersed within the PRC and Southeast Asia. The outstanding balances are within credit terms of between 30 days and 90 days for both domestic and overseas customers. There is no concentration of credit risk with respect to trade receivables. As at 30 June 2012 and 31 December 2011, the aging analysis of the trade receivables is set as follows:

	<b>As at 30 June 2012 RMB'000 (Unaudited)</b>	As at 31 December 2011 RMB'000 (Audited)
Within 3 months	<b>325,559</b>	336,160
Between 4 and 6 months	<b>2,267</b>	639
Between 7 and 12 months	<b>80</b>	14
	<b>327,906</b>	336,813

9. Share Capital

	<i>Note</i>	<b>Number of ordinary shares</b>	<b>Nominal value of ordinary shares HK\$</b>
<b>Authorised:</b>			
Ordinary shares of HK\$0.1 each			
As at 30 June 2012 and 31 December 2011	(a)	5,000,000,000	500,000,000

9. Share Capital (Continued)

	Note	Number of ordinary shares	Nominal value of ordinary shares HK\$	Equivalent nominal value of ordinary shares RMB
<b>Issued and fully paid:</b>				
<b>As at 1 January 2011</b>				
Issue of ordinary shares to China First Chemical Ltd. ("Parent Company")		1	0.1	-
Issue of ordinary shares for extinguishment of debts by the Parent Company	(b)	2	0.2	-
		1	0.1	-
<b>As at 30 June 2011</b>				
		4	0.4	-
<b>As at 1 January 2012</b>				
Issue of ordinary shares in connection with the IPO over-allotment	(c)	800,000,000	80,000,000	65,168,000
		2,191,000	219,100	178,000
<b>As at 30 June 2012</b>				
		802,191,000	80,219,100	65,346,000

Note:

- (a) The Company was incorporated on 24 November 2010 with an initial authorised share capital of HK\$250,000,000 divided into 2,500,000,000 ordinary shares with par value of HK\$0.10 each. By a written resolutions of the sole shareholder of the Company dated 14 June 2011, the authorised share capital has been increased from HK\$250,000,000 to HK\$500,000,000 divided into 5,000,000,000 shares by the creation of an additional 2,500,000,000 shares. On the date of incorporation, 1 ordinary share was issued to Parent Company.
- (b) On 14 June 2011, the Parent Company assigned all the outstanding loan due and payable by Longpower Corporation Limited, a subsidiary of the Company, of approximately RMB209,332,000 to the Company, in settlement of which, the Company issued and allotted 1 ordinary share to Parent Company.

## 9. Share Capital (Continued)

Note: (Continued)

- (c) On 5 January 2012, 2,191,000 ordinary shares (at par value of HK\$0.1 each) of the Company were allotted and issued at the price of HK\$2.70 per share in connection with the IPO over-allotment.
- (d) The Group adopted a pre-IPO share option scheme approved by the Board of Directors on 10 June 2011 and 12 June 2011 ("Pre-IPO Option Scheme"). Pursuant to the Pre-IPO Option Scheme, the three executive directors, two senior management members and three independent non-executive directors were granted the pre-IPO options to subscribe for up to 16,000,000 shares of the Company. The pre-IPO options will vest in three instalments at each of the first three anniversaries of the listing date and will only become exercisable from the respective vesting dates up to the third anniversary of the listing date. Commencing from the first, second and third anniversaries of the date of grant of an option, the relevant grantee may exercise up to 30%, 60%, and 100%, respectively, of the shares comprised in his or her option.

As at 30 June 2012, 16,000,000 outstanding options had not been vested and not exercised. These options with an exercise price of HK\$2.70 per share upon vesting will be expired on 8 December 2014.

Fair value of pre-IPO options is charged to the consolidated income statement over the vesting period of the options. Total share option expense charged to the consolidated income statement during the six months ended 30 June 2012 amounted to RMB1,193,000 (For the six months ended 30 June 2011: nil).

- (e) The Group adopted a share option scheme approved by the Board of Directors on 10 June 2011 and 12 June 2011 ("Share Option Scheme"). The board of directors of the Company may, under the Share Option Scheme, grant options to eligible persons for their contributions to the Group and their continuing efforts to promote the Group's interests. The implementation of the Share Option Scheme is subject to a number of conditions being met, including the commencement of dealings in the Shares on the Stock Exchange.

No share option has been granted under the Share Option Scheme as at 30 June 2012.

10. Reserve

**Acquisition of non-controlling interests**

On 21 March 2012, Fujian Rongping Chemical Co., Ltd. (“Fujian Rongping”), a wholly owned subsidiary of the Group acquired 2.73% equity interests of Fuzhou Yihua Chemical Stock Co., Ltd. (“Fuzhou Yihua”) from a non-controlling shareholder at a cash consideration of RMB11,000,000. As a result, Fuzhou Yihua became a wholly owned subsidiary of the Group.

The effect of changes in the ownership interest of Fuzhou Yihua on the equity attributable to owners of the Group during the period is summarised as follows:

	<b>As at 30 June 2012 RMB'000 (Unaudited)</b>
Carrying amount of non-controlling interests acquired	<b>10,939</b>
Consideration paid to non-controlling interests	<b>(11,000)</b>
<b>Excess of consideration paid recognised within equity</b>	<b>(61)</b>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

11. Borrowings

	<b>As at 30 June 2012 RMB'000 (Unaudited)</b>	As at 31 December 2011 RMB'000 (Audited)
<b>Non-current</b>		
Secured bank borrowings	<b>137,310</b>	137,310
<b>Current</b>		
Current portion of long-term secured bank borrowings	<b>16,960</b>	16,960
Short-term secured bank borrowings	<b>300,492</b>	324,376
	<b>317,452</b>	341,336
<b>Total borrowings</b>	<b>454,762</b>	478,646

11. Borrowings (Continued)

Movements in borrowings is analysed as follows:

	RMB'000
<b>(Audited)</b>	
<b>Six months ended 30 June 2011</b>	
Opening amount as at 1 January 2011	387,850
Additions	244,294
Repayments of borrowings	(242,182)
<b>Closing amount as at 30 June 2011</b>	<b>389,962</b>
<b>(Unaudited)</b>	
<b>Six months ended 30 June 2012</b>	
Opening amount as at 1 January 2012	<b>478,646</b>
Additions	<b>197,657</b>
Repayments of borrowings	<b>(221,541)</b>
<b>Closing amount as at 30 June 2012</b>	<b>454,762</b>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

11. Borrowings (Continued)

(a) The Group's borrowings are pledged as follows:

	<b>As at 30 June 2012 RMB'000 (Unaudited)</b>	As at 31 December 2011 RMB'000 (Audited)
Group's assets		
– Land use rights (Note 6)	<b>6,500</b>	24,500
Guarantees provided by		
– Subsidiaries of the Group	<b>448,262</b>	454,146
	<b>454,762</b>	478,646

(b) The maturity dates of the borrowing were analysed as follows:

	<b>As at 30 June 2012 RMB'000 (Unaudited)</b>	As at 31 December 2011 RMB'000 (Audited)
Within 1 year	<b>317,452</b>	341,336
Between 1 and 2 years	<b>46,560</b>	46,560
Between 2 and 5 years	<b>90,750</b>	90,750
	<b>454,762</b>	478,646

## 12. Trade and Other Payables

	<b>As at 30 June 2012 RMB'000 (Unaudited)</b>	As at 31 December 2011 RMB'000 (Audited)
Trade payables (a)	<b>84,475</b>	100,871
Bills payable (b)	<b>205,927</b>	135,772
Other payables and accrual (c)	<b>77,678</b>	74,089
	<b>368,080</b>	310,732

(a) Details of ageing analysis of trade payables are as follows:

	<b>As at 30 June 2012 RMB'000 (Unaudited)</b>	As at 31 December 2011 RMB'000 (Audited)
Within 3 months	<b>83,938</b>	100,611
Between 4 and 6 months	<b>278</b>	240
Between 7 and 12 months	<b>259</b>	20
	<b>84,475</b>	100,871

(b) As at 30 June 2012 and 31 December 2011, the entire balances of bills payable were secured by restricted cash of RMB60,041,000 and RMB37,692,000 respectively.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

12. Trade and Other Payables (Continued)

(c) Details of other payables and accrual are as follows:

	<b>As at 30 June 2012 RMB'000 (Unaudited)</b>	As at 31 December 2011 RMB'000 (Audited)
Advance from customers	<b>460</b>	629
Payable for IPO expenses	<b>16,148</b>	22,266
Auditors' remuneration	<b>500</b>	2,200
Payable for property, plant and equipment purchases	<b>11,907</b>	3,530
Freight charges	<b>13,606</b>	12,954
Water and electricity	<b>12,847</b>	13,147
Salary and welfare payable	<b>5,743</b>	7,549
Taxes	<b>12,108</b>	8,131
Others	<b>4,359</b>	3,683
	<b>77,678</b>	74,089

### 13. Deferred Income

Deferred income represented government grants related to the construction of property, plant and equipment which are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Opening net book amount	<b>14,743</b>	9,291
Additions	<b>450</b>	5,230
Amortisation	<b>(564)</b>	(378)
Closing net book amount	<b>14,629</b>	14,143
At end of the period		
Cost	<b>16,150</b>	14,600
Accumulated amortisation	<b>(1,521)</b>	(457)
<b>Net book amount</b>	<b>14,629</b>	14,143

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

14. Revenue and Cost of Sales

Revenue and cost of sales from manufacturing and sale of bleaching and disinfectant chemicals, foaming agent and other specialty chemicals during the periods are as follows:

	<b>Bleaching and disinfectant chemicals</b> RMB'000	<b>Foaming agent</b> RMB'000	<b>Other specialty chemicals</b> RMB'000	<b>Total</b> RMB'000
<b>(Unaudited)</b>				
<b>Period ended 30 June 2012</b>				
Revenue	307,338	414,994	135,433	857,765
Costs of sales	(191,664)	(319,622)	(77,810)	(589,096)
	115,674	95,372	57,623	268,669
<b>(Audited)</b>				
<b>Period ended 30 June 2011</b>				
Revenue	269,051	329,333	116,932	715,316
Costs of sales	(160,620)	(251,340)	(75,373)	(487,333)
	108,431	77,993	41,559	227,983

15. Expenses by Nature

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)
Raw materials used and changes in inventories	391,922	307,084
Depreciation of property, plant and equipment (Note 7)	32,815	29,078
Electricity and other utility fees	141,739	129,838
Employee benefit expenses	33,174	28,500
Transportation and related charges	13,994	10,835
Taxes and levies on main operations	7,606	7,709
Amortisation of land use rights (Note 6)	882	882
Office and entertainment expenses	4,145	3,975
Operating leases expenses	625	528
Property insurance fee	1,471	1,137
Travelling expenses	1,047	962
Repairs and maintenance	3,844	3,953
Auditors' remuneration	500	73
Other expenses	5,090	5,050
	<b>638,854</b>	<b>529,604</b>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

16. Other Income

	<b>Six months ended 30 June</b>	
	<b>2012</b> <b>RMB'000</b> <b>(Unaudited)</b>	2011 RMB'000 (Audited)
Profit from sales of raw materials	–	2,444
Subsidy income granted by government	<b>571</b>	1,067
	<b>571</b>	3,511

17. Other (Losses)/Gains – Net

	<b>Six months ended 30 June</b>	
	<b>2012</b> <b>RMB'000</b> <b>(Unaudited)</b>	2011 RMB'000 (Audited)
(Loss)/gain on disposals of property, plant and equipment	<b>(116)</b>	350

18. Finance Income

	<b>Six months ended 30 June</b>	
	<b>2012</b> <b>RMB'000</b> <b>(Unaudited)</b>	2011 RMB'000 (Audited)
Interest income from bank deposits	<b>3,023</b>	1,127

19. Finance Costs

	<b>Six months ended 30 June</b>	
	<b>2012</b> <b>RMB'000</b> <b>(Unaudited)</b>	2011 RMB'000 (Audited)
Interest expenses:		
– Bank borrowings	<b>12,835</b>	12,663
– Discount interest for bill receivables	<b>3,823</b>	2,544
– Other charges	<b>2,235</b>	2,371
	<b>18,893</b>	17,578
Less: Interest capitalised in property, plant and equipment	<b>(1,101)</b>	–
Exchange gains	<b>(454)</b>	(4,055)
	<b>17,338</b>	13,523
	<b>Six months ended 30 June</b>	
	<b>2012</b> <b>RMB'000</b> <b>(Unaudited)</b>	2011 RMB'000 (Audited)
Weighted average effective interest rates used to calculate capitalisation amount	<b>7.06%</b>	–

## 20. Income Tax Expense

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Current income tax – PRC enterprise income tax	<b>52,210</b>	43,594
Deferred income tax charge	<b>170</b>	333
	<b>52,380</b>	43,927

Hong Kong profits tax has not been provided for as the Group has no assessable profit derived from Hong Kong.

The provision for PRC enterprise income tax is based on the statutory rate of 25% on the basis of the profit for the statutory financial reporting purposes, adjusted for income and expenses items which are not assessable or deductible for income tax purpose.

## 21. Earnings Per Share

### (a) Basic

Basic earnings per share is calculated by dividing the profit for the period of six months ended 30 June attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period of six months ended 30 June. In determining the weighted average number of ordinary shares in issue during the period of six months ended 30 June 2011, the 1 share issued and allotted on 24 November 2010, the 1 share issued and allotted on 3 December 2010, the 1 share issued and allotted on 7 April 2011, the 1 share issued and allotted on 14 June 2011 and the 599,999,996 shares issued and allotted through capitalisation of the share premium account arose from the listing of the Company on 9 December 2011 have been regarded as if 450,000,000 shares were in issue since 1 January 2010, and 150,000,000 shares were in issue since 14 June 2011.

	<b>Six months ended 30 June</b>	
	<b>2012 (Unaudited)</b>	2011 (Audited)
Profit attributable to equity holders of the Company (RMB'000)	<b>152,134</b>	132,185
Weighted average number of ordinary shares in issue (thousand)	<b>802,125</b>	463,151
Basic earnings per share (RMB yuan)	<b>0.19</b>	0.29



21. Earnings Per Share (Continued)

(b) Diluted

Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company after adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The pre-IPO share options granted by the Company are taken into the consideration when the Company calculates the diluted earnings per share. The average market price of the shares for the period from 1 January 2012 to 30 June 2012 is lower than the exercise price of the pre-IPO share options, the pre-IPO share options is not included in the diluted earnings per share calculation. The diluted earnings per share is the same as the basic earnings per share.

22. Dividend

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Dividend	<b>40,697</b>	100,374

On 29 April 2011, the Company declared a dividend of HK\$0.27 per share totalled to HK\$120 million to the shareholders of the Company. In determining the number of ordinary shares as at 29 April 2011, the 1 share issued and allotted on 24 November 2010, the 1 share issued and allotted on 3 December 2010, the 1 share issued and allotted on 7 April 2011, and the 599,999,996 shares issued and allotted through capitalisation of the share premium account arose from the listing of the Company on 9 December 2011 have been regarded as if 450,000,000 shares were in issue since 1 January 2010, and 150,000,000 shares were in issue since 14 June 2011. Therefore, the dividend per share was calculated based on 450,000,000 shares. Such dividend was paid in April 2011.

## 22. Dividend (Continued)

The final dividend for the year ended 31 December 2011 amounting to RMB40,697,000 was paid in April 2012.

The board of directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2012.

## 23. Commitments

### a) Capital commitments

The Group has the following capital commitments not provided for:

	<b>As at 30 June 2012 RMB'000 (Unaudited)</b>	As at 31 December 2011 RMB'000 (Audited)
Authorised and contracted but not provided for		
– property, plant and equipment	<b>79,538</b>	5,951

### b) Operating lease commitments

The Group has commitments to make the following future minimum lease payments under non-cancellable operating leases:

	<b>As at 30 June 2012 RMB'000 (Unaudited)</b>	As at 31 December 2011 RMB'000 (Audited)
No later than 1 year	<b>625</b>	251

## 24. Related-Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

### a) Transactions with related parties

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Repayment of loans from related parties	–	6
Repayment of borrowings to related parties	–	5,680

### b) Key management compensation:

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Salaries, wages and bonuses	<b>1,393</b>	1,553
Contributions to pension plan	<b>87</b>	91
	<b>1,480</b>	1,644

Key management includes executive directors and certain executives who have important role in making operational and financial decisions.

## OTHER INFORMATION

### Purchase, Sale and Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

### Directors' interests in securities

As at 30 June 2012, the interests and short positions of the directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register required to be maintained by the Company; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

#### (I) Long positions in the shares and underlying shares of the Company

Name of directors	Nature of interest	Number of shares/ underlying shares held	Percentage of issued share capital	Note
Liem Djiang Hwa	Interests in controlled corporation	419,949,888	52.35%	(1)
Chen Hong	Beneficial owner	4,000,000	0.49%	(2)
Miao Fei	Beneficial owner	4,000,000	0.49%	(2)
Lam Wai Wah	Beneficial owner	4,000,000	0.49%	(2)
Chen Xiao	Beneficial owner	800,000	0.09%	(2)
Kou Huizhong	Beneficial owner	400,000	0.04%	(2)
Li Junfa	Beneficial owner	400,000	0.04%	(2)

## OTHER INFORMATION (CONTINUED)

### (II) Long positions in the shares of associated corporations

Name of directors	Name of associated corporations	Relationship with the Company	Nature of interest	Number of shares held in associated corporations	Percentage of issued share capital in associated corporations
Liem Djiang Hwa	China First Chemical Ltd.	The Company's holding corporation	Interests in controlled corporation	43,492,810	62.14%
Lam Wai Wah	China First Chemical Ltd.	The Company's holding corporation	Interests in controlled corporation	6,999,165	10.00%

*Notes:*

- (1) Mr. Liem Djiang Hwa is indirectly interested in the Company through Yihua Crown Limited, which in turn is indirectly interested in our Company through China First Chemical Ltd.
- (2) The Company granted such options pursuant to the Pre-IPO Share Option Scheme.

Save as those disclosed above, as at 30 June 2012, the directors and chief executive of the Company did not have any interests or short positions in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or were required, pursuant to section 352 of the SFO, to be entered in the register required to be maintained by the Company; or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## OTHER INFORMATION (CONTINUED)

### Interests of substantial shareholders

As at 30 June 2012, the following persons had an interest or short position in the shares or underlying shares in the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interest in 5% or more of the issued share capital of the Company:

### Long positions in the shares of the Company

Name of shareholders	Nature of interest	Number of shares	Percentage of issued share capital
Mr. Liem Djiang Hwa	Interests in controlled corporation	419,949,888	52.35% <sup>(1)</sup>
Yihua Crown Limited	Interests in controlled corporation	419,949,888	52.35% <sup>(1)</sup>
China First Chemical Ltd.	Beneficial owner	419,949,888	52.35%
China Renaissance Capital Investment II GP	Interests in controlled corporation	180,050,112	22.44% <sup>(2)</sup>
China Renaissance Capital Investment II, L.P	Interests in controlled corporation	180,050,112	22.44% <sup>(3)</sup>
China Harvest Fund II, L.P	Interests in controlled corporation	180,050,112	22.44% <sup>(4)</sup>
Trophy Group Limited	Beneficial owner	180,050,112	22.44%

#### Notes:

- (1) Mr. Liem Djiang Hwa is indirectly interested in the Company through Yihua Crown Limited, which in turn is indirectly interested in our Company through China First Chemical Ltd.
- (2) China Renaissance Capital Investment II GP is the general partner of China Renaissance Capital Investment II, L.P. pursuant to a partnership agreement.
- (3) China Renaissance Capital Investment II, L.P. is the general partner of China Harvest Fund II, L.P..
- (4) China Harvest Fund II, L.P. is the sole shareholder of Trophy Group.

Save as those disclosed above, as at 30 June 2012, the directors of the Company were not aware of any persons (not being a director or chief executive of the Company) having an interest or short position in the shares or underlying shares in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO.

## OTHER INFORMATION (CONTINUED)

### Corporate Governance

The Company has adopted the code provisions in the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) as its own code of corporate governance. The Board considers that for the six months ended 30 June 2012, the Company has complied with all the code provisions of the CG Code.

### Model Code for Securities Transactions by Directors

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules as its model code for securities transactions by Directors and senior management. Having made specific enquiry, all the Directors confirmed that they have complied with the Model Code during the six months ended 30 June 2012.

### Audit Committee

The Audit Committee reviewed the analysis on the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2012, the accounting principles and practices adopted by the Group, and the Group’s internal control functions.

### Interim Dividend

The Directors have not recommended the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

### Share Option Scheme

Our Company has adopted the Share Option Scheme on 10 June 2011 and 12 June 2011. A summary of the principal terms and conditions of the Share Option Scheme are set out in the section headed “Share Option Scheme” in Appendix VI of the Prospectus. Up to 30 June 2012, no option has been granted pursuant to the Share Option Scheme.

# CORPORATE INFORMATION

## Board of Directors

### **Chairman and Non-executive Director:**

Mr. Liem Djiang Hwa

### **Executive Directors:**

Mr. Chen Hong

Ms. Miao Fei

Mr. Lam Wai Wah

### **Independent Non-executive Directors:**

Mr. Chen Xiao

Mr. Kou Huizhong

Mr. Li Junfa

## Registered Office

P.O. Box 309,

Ugland House Grand Cayman,

KY1-1104 Cayman Islands

## Headquarters in the PRC

19A, Ping An Building,

No. 88 Wu Yi Zhong Road,

Fuzhou City,

Fujian Province, PRC

## Place of Business in Hong Kong

Level 28, Three Pacific Place,

1 Queen's Road East, Hong Kong

## Company's Website

[www.chinafirstchemical.com](http://www.chinafirstchemical.com)

## Company Secretary

Ms Yuen Wing Yan, Winnie ACS, ACIS

## Authorized Representatives

Mr. Lam Wai Wah

Ms. Miao Fei

## Alternate Authorized Representative

Ms Yuen Wing Yan, Winnie

## Audit Committee

Mr. Chen Xiao (*Chairman*)

Mr. Li Junfa

Mr. Kou Huizhong

## Remuneration Committee

Mr. Kou Huizhong (*Chairman*)

Mr. Chen Xiao

Ms. Miao Fei



## CORPORATE INFORMATION (CONTINUED)

### Nomination Committee

Mr. Li Junfa (*Chairman*)  
Mr. Kou Huizhong  
Mr. Lam Wai Wah

### Compliance Adviser

Haitong International Capital Limited  
25th Floor  
New World Tower  
16–18 Queen's Road Central  
Hong Kong

### Principal Share Registrar

Maples Fund Services (Cayman) Limited  
P.O. Box 1093,  
Boundary Hall Cricket Square,  
Grand Cayman,  
KY1–1102,  
Cayman Islands

### Hong Kong Share Registrar

Tricor Investor Services Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

### Principal Bankers

Industrial and Commercial Bank of China Limited  
Mindu Sub-branch  
No. 108 Gu Tian Road  
Fuzhou  
Fujian Province  
PRC

China Construction Bank Corporation Limited  
Pingnan Sub-branch  
1st and 2nd Floor, Oriental Pearl Tower  
No. 88 Cheng Guan Pearl Tower  
Pingnan County, Ningde  
Fujian Province  
PRC

Bank of China Limited  
Nanping Branch  
No. 459 Binjiang Central Road  
Nanping  
Fujian  
PRC



CHINA FIRST CHEMICAL HOLDINGS LIMITED  
一化控股(中國)有限公司