



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

Interim Report
2014



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FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Change
	2014 (Unaudited)	2013 (Unaudited)	
(in RMB'000 unless otherwise stated)			
Revenue	690,232	767,456	(10.1)%
Gross Profit	231,346	201,011	15.1%
Profit attributable to equity holders of the Company	124,098	104,465	18.8%
Earning per share			
<i>Basic (RMB)</i>	0.15	0.13	18.8%
<i>Diluted (RMB)</i>	0.15	0.13	18.8%
EBITDA	232,786	202,345	15.0%
Selected financial ratios			
Gross profit margin (%)	33.5%	26.2%	27.9%
Net profit margin (%)	18.0%	13.6%	32.1%
EBITDA margin (%)	33.7%	26.4%	27.9%
Total interest-bearing bank borrowings to total equity (%)	32.0%	21.0%	52.4%

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)	Change
	Total equity	1,960,879	
Net asset per share (RMB)	2.44	2.32	5.4%

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the revenue of the Group was approximately RMB690.2 million, representing a decrease of approximately 10.1% from the revenue of approximately RMB767.5 million for the corresponding period of 2013. The gross profit increased by 15.1% to approximately RMB231.3 million from the same period of 2013. During the six months ended 30 June 2014, the net profit attributable to the equity holders of the Company and the basic earnings per share were approximately RMB124.1 million and approximately RMB0.15, representing an increase of approximately 18.8% and an increase of approximately 18.8% as compared with the corresponding period.

BUSINESS REVIEW

With the successive introduction of “Opinions on Accelerating the Development of Energy Conservation and Environmental Protection Industry” and “Regulation on the Urban Water Drainage and Wastewater Treatment” by the State Council since the second half of 2013, the PRC government increased investment in the fields of wastewater treatment and recycling of water resources and strengthened law enforcement. The eco-friendly bleaching and disinfection products of the Company were widely used in urban and industrial wastewater treatment, reflecting a fast growing trend in demand of users.

During the first half of 2014, the sales revenue of eco-friendly bleaching and disinfectant chemicals amounted to RMB330.7 million, representing an increase of 9.7% as compared with sales revenue of RMB301.6 million in the first half of 2013. The percentage of revenue attributable to eco-friendly bleaching and disinfectant chemicals increased from 39.3% in the first half of 2013 to 47.9% in the first half of 2014. Revenue from sales of other chemicals was RMB359.5 million in the first half of 2014, representing a decrease of 22.8% as compared against sales revenue of RMB465.9 million in the first half of 2013. The percentage of revenue attributable to other chemicals dropped from 60.7% in the first half of 2013 to 52.1% in the first half of 2014.

In June 2014, Fujian Rongping Chemical Co., Ltd. a wholly-owned subsidiary of the Company, entered into the “Cooperative Framework Agreement on the Construction Project of Pingnan Fine Chemical Industrial Park” with the People’s Government of Pingnan County. The proposed cooperation project, the Pingnan Fine Chemical Industrial Park, is located in the industrial zone of Pingnan County, with a construction floor area of approximately 1,000 mu. Once the framework agreement on the new fine chemical park is finalized, the Group will make use of the abundant water resources and energy locally, and apply green chemical technology to expand the production of high value-added water treatment products, including eco-friendly product lines such as sodium chlorate, food-grade and electronic-grade hydrogen peroxide solution. The Group endeavors to further develop its industrial chains, so as to further expand other downstream products and water-treatment-related technology services.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

In June 2014, the Company entered into a framework agreement with Chengdu Huaxi Hope Group Co., Ltd. to acquire of 70% equity interest in Sichuan Minjiang Snow Salt Chemical Industry Co.,Ltd. It is expected that the acquisition will complete before the end of the year. Once the acquisition is completed, Sichuan Minjiang Snow Salt Chemical Industry Co.,Ltd. will become a wholly-owned subsidiary of the Company, substantially enhancing the Group's market share and geographical network in the industry of eco-friendly bleaching and disinfectant chemicals, and thus consolidating the Group's leading position as a supplier of eco-friendly water treatment chemicals.

In the first half of 2014, the Company continued to increase its technology investment in research and develop of new water treatment related technology through cooperation with the "Research Centre of Green Chemical Technology" jointly established with Haixi Research Institute of Chinese Academy of Sciences and with advanced scientific research institutes in China. In the second half of 2014, the Company is expected to take a firm step in constructing water treatment technical service platform by way of cooperative research and development as well as introduction of technologies and cooperation to develop water treatment technical service business.

Future Prospect

Looking forward to 2014, the global economy will recover moderately while unstable and uncertain factors still remain. China's economy will continue to be in the adjustment stage with premature periodic and progressive rectification which makes it more difficult to form a new rising trend in the short term. Certain structural conflicts and potential risks will become more significant, while favoring factors such as policy release and deepened reforms also exist.

The PRC government is currently formulating the "Wastewater Prevention and Control Campaign" scheme and will invest RMB2 trillion to support treatment for water pollution. It is expected that from now on to 2020, the government will invest RMB4 trillion to construct various hydraulic infrastructure. We believe the direction of national policy and vast capital contribution shall control pollution in the country, improve ecological environment, and sustain economic and social development. New policies will provide the Group with great development opportunities.

In the second half of 2014, the Group will continue to strengthen its leading position as a supplier of water treatment eco-friendly chemicals through mergers and acquisition. With reference to the National 12th Five-year Plan and the national policy to increase contribution in environment integrated treatment, the Group believes it will achieve growth in earnings and generate substantial returns for the shareholders with its technological advantages and leading position in the industry.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW

Revenue

Revenue for the period under review was approximately RMB690.2 million, representing A decrease of approximately RMB77.2 million or 10.1% from approximately RMB767.5 million for the corresponding period last year. The decrease was mainly attributable to the decrease in the sales of foaming agent during the period.

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

	For the six months ended 30 June			
	2014		2013	
	Amount	% of Revenue	Amount	% of Revenue
Revenue (RMB'000)				
Bleaching and disinfectant chemicals	330,710	47.9%	301,595	39.3%
Other chemical products	359,522	52.1%	465,861	60.7%
Total	690,232	100.0%	767,456	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.

During the period under review, the total revenue for the bleaching and disinfectant chemicals was RMB330.7 million, representing an increase of approximately 9.7% or RMB29.1 million from the corresponding period last year. The increase in revenue was mainly attributable to the increase in sales volumes of sodium chlorate and hydrogen peroxide as a result of improvement of market condition.

Other chemical products

This segment mainly consists of basic and modified grades of foaming agent, potassium chlorate, sodium perchlorate, potassium perchlorate, caustic soda, biurea and others.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

During the period under review, the total revenue for the other chemical products was RMB359.5 million, representing a decrease of approximately 22.8% or RMB106.3 million from the corresponding period last year. The decrease was mainly attributable to the decrease in outsourced production and increase in self-produced sales volumes after the upgrade of our production facilities.

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 53.6% and 63.3% of our total cost of sales in the period ended 30 June 2014 and 2013, respectively.

During the period under review, our cost of sales decreased by approximately RMB107.5 million or 18.9% to RMB458.9 million from RMB566.4 million in the corresponding period last year, which was primarily due to the decrease in sales volume of foaming agent. The percentage for cost of sales to revenue was 66.5% and 73.8% for the six months ended 30 June 2014 and 2013, respectively, reflecting efficient cost control.

Gross profit and gross margin

Our gross profit increased by approximately RMB30.3 million or 15.1% to RMB231.3 million for the period under review from RMB201.0 million for the corresponding period last year. The overall gross margin increased from 26.2% for the six months ended 30 June 2013 to 33.5% for the six months ended 30 June 2014, which was primarily due to (i) the increase of average selling price of eco-friendly bleaching and disinfection products affected by the improved market environment; (ii) the adjustment to the product structure which resulted in a rapid growth of sales of products with relatively higher gross profit margin; and (iii) the fact that the Company owns a complete package of key process technologies and has the advantages of stable and reliable production and sound energy-saving effects, whose product indicators outperform that of other domestic enterprise.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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		
	2014	2013	Change
Bleaching and disinfectant chemicals	36.7%	30.5%	20.3%
Other chemical products	30.6%	23.4%	30.8%
Overall	33.5%	26.2%	27.9%

Bleaching and disinfectant chemicals

The gross margin of bleaching and disinfectant chemicals increased from 30.5% for the six months ended 30 June 2013 to 36.7% for the six months ended 30 June 2014, which was primarily attributable to the increase in average selling price of sodium chlorate and hydrogen peroxide as a result of market condition.

Other chemical products

The gross margin of other chemical products increased from 23.4% for the six months ended 30 June 2013 to 30.6% for the six months ended 30 June 2014, which was primarily attributable to the upgrade of our production facilities and the increase in the usage of self-produced raw materials, for example caustic soda and biurea had improved the gross margin of foaming agent.

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 4.3% to RMB19.9 million for the six months ended 30 June 2014 from RMB19.1 million for the six months ended 30 June 2013, which was primarily attributable to the expansion of sales by the Group resulting in higher selling expenses.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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 decreased by 0.3% to RMB31.1 million for the six months ended 30 June 2014 from RMB31.2 million for the six months ended 30 June 2013, which was primarily attributable to effective cost control.

Other income

Other income primarily consists of profit from sales of raw materials and government subsidies. The other income of the Group decreased to RMB1.3 million for the six months ended 30 June 2014 from RMB1.9 million for the six months ended 30 June 2013, which was primarily attributable to the decrease in the governmental subsidies.

Other losses, net

Other losses, net, mainly consists of the net gain or loss from the disposal of property, plant and equipment. The other losses, net, of the Group decreased to RMB0.2 million for the six months ended 30 June 2014 from RMB12.9 million for the six months ended 30 June 2013, which was primarily attributable to lack of fair value losses arising from the derivative financial instrument which incurred in last financial period.

Finance income

Finance income relates primarily to interest earned on our bank deposits and foreign exchange gains. The finance income of the Group decreased by 91.1% to RMB1.9 million for the six months ended 30 June 2014 from RMB20.9 million for the six months ended 30 June 2013, which was primarily attributable to lack of foreign exchange gains arising from the foreign currency borrowings in 2013.

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 decreased by 5.7% to RMB16.2 million for the six months ended 30 June 2014 from RMB17.2 million for the six months ended 30 June 2013, which was primarily attributable to decrease in interest capitalised in property, plant and equipment during the period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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 20.1% to RMB43.2 million for the six months ended 30 June 2014 from RMB35.9 million for the six months ended 30 June 2013. The effective tax rate increased to 25.8% for the six months ended 30 June 2014 from 25.6% for the six months ended 30 June 2013 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 18.8% to RMB124.1 million for the six months ended 30 June 2014 from RMB104.5 million for the six months ended 30 June 2013.

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 RMB1,031.2 million as at 30 June 2014 (31 December 2013: approximately RMB784.2 million), most of which were denominated in Renminbi. As at 30 June 2014, the interest bearing bank borrowings of the Group amounted to approximately RMB622.3 million (31 December 2013: approximately RMB391.1 million).

As at 30 June 2014, the Group's current ratio (calculated as current assets divided by current liabilities) was 2.39 (31 December 2013: 2.17). The Group was in a net cash position as at 30 June 2014 and 31 December 2013. The Group has sufficient and readily available finance resource for both general working capital purpose and foreseeable capital expenditure.

Working capital

Inventories were approximately RMB161.7 million in total as at 30 June 2014, as compared with approximately RMB159.9 million as at 30 June 2013. The increase was primarily due to increase in work in progress namely, working solution to be used to produce hydrogen peroxide. Average inventory turnover days were 62 days for the six months ended 30 June 2014 (for the six months ended 30 June 2013: 53 days).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

As at 30 June 2014, trade receivables amounted to approximately RMB202.7 million in total, as compared with approximately RMB338.2 million as at 30 June 2013. The decrease was in line with decrease in our sales during the period. The average trade receivables turnover days were 56 days for the six months ended 30 June 2014 (for the six months ended 30 June 2013: 70 days).

As at 30 June 2014, trade and bills payables amounted to approximately RMB199.7 million in total, as compared with approximately RMB302.9 million as at 30 June 2013. The decrease was mainly due to the decrease in usage of 90 days letter of credit and bills guaranteed by banks in our payment. The average trade and bills payables turnover days were 87 days for the six months ended 30 June 2014 (for the six months ended 30 June 2013: 96 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 (excluding those new shares to be issued upon the exercise of over-allotment option) at an offer price of HK\$2.7 per share upon the listing on The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 9 December 2011, after deducting brokerage and other costs and expenses payable by the Company, amounted to approximately HK\$443.4 million (equivalent to approximately RMB361.2 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 2014, 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	288.2	288.2	–
To be used in merger and acquisition	110.9	–	110.9
To be used for general working capital	44.3	44.3	–
Total	443.4	332.5	110.9

To the extent that the net proceeds were not yet applied as at 30 June 2014, 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 2014, the capital commitments of the Group were Nil (31 December 2013: RMB4.6 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 2014, 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.

Employees and remuneration policy

As at 30 June 2014, the Group employed a total of 1,237 full time employees. For the six months ended 30 June 2014, the employee benefit expense was approximately RMB36.1 million. The Group's employee benefits included housing subsidies, shift subsidies, bonuses, allowances, medical check-up, staff quarters, social insurance contributions and housing fund contributions. The remuneration committee of the Company reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive remuneration in the form of fees, salaries, bonuses and other allowances.

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
ASSETS			
Non-current assets			
Land use rights	7	72,921	73,803
Property, plant and equipment	8	1,119,019	1,165,438
Intangible assets		3,908	4,105
Investment in associate	9	—	—
Deferred income tax assets		1,071	1,425
Prepayment for property, plant & equipment		2,233	—
		1,199,152	1,244,771
Current assets			
Inventories	10	161,747	156,001
Trade and other receivables and prepayments	11	211,757	239,904
Restricted cash		213,362	112,617
Cash and cash equivalents		1,031,236	784,153
		1,618,102	1,292,675
Total assets		2,817,254	2,537,446
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		65,346	65,346
Reserves		756,791	780,100
Retained earnings		1,138,742	1,014,644
Total equity		1,960,879	1,860,090
LIABILITIES			
Non-current liabilities			
Borrowings	12	164,391	68,078
Deferred income		13,256	14,006
Deferred income tax liabilities		898	743
		178,545	82,827
Current liabilities			
Trade and other payables	13	199,706	246,135
Derivative financial instruments		—	—
Current income tax liabilities		20,214	25,397
Borrowings	12	457,910	322,997
		677,830	594,529
Total liabilities		856,375	677,356
Total equity and liabilities		2,817,254	2,537,446
Net current assets		940,272	698,146
Total assets less current liabilities		2,139,424	1,942,917

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Revenue	6	690,232	767,456
Cost of sales	6, 14	(458,886)	(566,445)
Gross profit		231,346	201,011
Selling and marketing expenses	14	(19,869)	(19,053)
Administrative expenses	14	(31,161)	(31,240)
Other income		1,335	1,880
Other losses — net		(24)	(12,910)
		181,627	139,688
Operating profit			
Finance income	15	1,864	20,885
Finance costs	16	(16,218)	(17,196)
Finance (cost)/income — net		(14,354)	3,689
Share of loss of an associate	9	—	(2,973)
Profit before income tax		167,273	140,404
Income tax expense	17	(43,175)	(35,939)
Profit and total comprehensive income for the period		124,098	104,465
Attributable to:			
— Equity holders of the Company		124,098	104,465
— Non-controlling interests		—	—
		124,098	104,465
Earnings per share attributable to the equity holders of the Company (RMB)			
— Basic	18	0.15	0.13
— Diluted	18	0.15	0.13
Dividends	19	24,856	24,692

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
(Unaudited)								
Balance at 1 January 2013		65,346	317,328	330,392	126,765	2,548	789,743	1,632,122
Profit for the period		-	-	-	-	-	104,465	104,465
Share-based payment expense	20	-	-	-	-	1,173	-	1,173
Dividend distribution	19	-	-	(24,692)	-	-	-	(24,692)
Balance at 30 June 2013		65,346	317,328	305,700	126,765	3,721	894,208	1,713,068
(Unaudited)								
Balance at 1 January 2014		65,346	317,328	305,700	152,121	4,951	1,014,644	1,860,090
Profit for the period		-	-	-	-	-	124,098	124,098
Share-based payment expense	20	-	-	-	-	1,547	-	1,547
Dividend distribution	19	-	-	(24,856)	-	-	-	(24,856)
Balance at 30 June 2014		65,346	317,328	280,844	152,121	6,498	1,138,742	1,960,879

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Net cash generated from operating activities	166,189	131,244
Cash flows from investing activities		
Purchases of property, plant and equipment	(13,680)	(188,765)
Restricted cash reserve for serving loan and bills payable	(109,300)	(33,300)
Net cash used in investing activities	(122,980)	(222,065)
Cash flows from financing activities		
Borrowings from banks	362,484	191,795
Repayments of bank borrowings	(132,438)	(179,894)
Payments of guarantee for borrowing facilities	(1,404)	–
Payments of IPO expenses	–	(1,517)
Dividends paid	(24,856)	(24,692)
Net cash generated from/(used in) financing activities	203,786	(14,308)
Net increase/(decrease) in cash and cash equivalents	246,995	(105,129)
Cash and cash equivalents at beginning of period	784,153	778,553
Exchange gain/(loss) on cash and cash equivalents	88	(135)
Cash and cash equivalents at end of period	1,031,236	673,289

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, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The ultimate parent company of the Company is Yihua Crown Limited. The Company’s shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (“Stock Exchange”).

This condensed consolidated interim financial information is presented in thousands of Renminbi (“RMB’000”), unless otherwise stated, and approved for issue on 29 August 2014 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 2014 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial information for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial information for the year ended 31 December 2013. 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 this Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2014 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to IAS 19	Defined benefit plans	1 July 2014
Amendments to IFRS 2	Share-based payment	1 July 2014
Amendments to IFRS 3	Business combinations	1 July 2014
Amendments to IFRS 8	Operating segments	1 July 2014
Amendments to IFRS 13	Fair value measurement	1 July 2014
Amendments to IAS 16	Property, plant and equipment	1 July 2014
Amendments to IAS 24	Related party disclosures	1 July 2014
Amendments to IAS 37	Provisions, contingent liabilities and contingent assets	1 July 2014
Amendments to IAS 38	Intangible assets	1 July 2014
Amendments to IAS 39	Financial instruments — Recognition and Measurement	1 July 2014
Amendments to IAS 40	Investment property	1 July 2014
Amendments to IFRS 7	Financial instruments: Disclosures	1 January 2015
IFRS 14	Regulatory deferral accounts	1 January 2016
Amendments to IFRS 11	Joint arrangements	1 January 2016
Amendments to IAS 16	Property, plant and equipment	1 January 2016
Amendments to IAS 38	Intangible assets	1 January 2016
IFRS 15	Revenue from contracts with customers	1 January 2017
IFRS 9	Financial instruments	1 January 2018

There are no other amended standards or interpretations that are not yet effective that could be expected to have a material impact on this Group.

4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial information for the year ended 31 December 2013.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial information, and should be read in conjunction with the Group's annual financial information as at 31 December 2013.

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

5.2 Liquidity risk factors

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 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.

6. 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 executive Directors) who reviews the internal reports in order to assess performance and allocate resources. Due to the differences in gross profit, customers etc. for Bleaching and disinfectant chemicals, Forming agent and Other special chemicals respectively, operations of the Group are considered to be three reportable segments in accordance with IFRS 8 "Operation Segment".

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

6. SEGMENT INFORMATION *(Continued)*

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 overseas, no single customer accounted for more than 10% of the Group's total revenues for the six months ended 30 June 2014 and 30 June 2013.

The revenue from external customers and the cost, the total assets and the total liabilities are measured in a manner consistent with that of the Group's consolidated financial information.

The Board of Directors assesses the performance of the operating segments based on a measure of gross profit.

The segment information provided to the Board of Directors for the reportable segments for the six months ended 30 June 2014 and as at 30 June 2013 is as follows:

	Six months ended 30 June 2014 (Unaudited)			
	Bleaching and disinfectant chemicals RMB'000	Forming agent RMB'000	Other specialty chemicals RMB'000	Total RMB'000
Segment revenue	330,710	229,950	129,572	690,232
Inter-segment revenue	–	–	–	–
Revenue from external customers	330,710	229,950	129,572	690,232
Gross profit	121,370	58,677	51,299	231,346
Unallocated				
Depreciation and amortization				49,295
Finance income				1,864
Finance expense				(16,218)
Income tax expense				(43,175)

	As at 30 June 2014 RMB'000 (Unaudited)
Total assets	2,817,254
Total liabilities	856,375

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

6. SEGMENT INFORMATION *(Continued)*

	Six months ended 30 June 2013 (Unaudited)			
	Bleaching and disinfectant chemicals RMB'000	Forming agent RMB'000	Other specialty chemicals RMB'000	Total RMB'000
Segment revenue	301,595	335,660	130,201	767,456
Inter-segment revenue	–	–	–	–
Revenue from external customers	301,595	335,660	130,201	767,456
Gross profit	91,845	64,923	44,243	201,011
Unallocated				
Depreciation and amortization				44,745
Finance income				20,885
Finance expenses				(17,196)
Income tax expense				(35,939)

	As at 31 December 2013 RMB'000 (Audited)
Total assets	2,537,446
Total liabilities	677,356

There is no information in relation segment assets and segment liabilities provided to CODM.

Revenue from external customers by geographical area is based on the geographical location of the customers.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

6. SEGMENT INFORMATION *(Continued)*

Revenue is allocated based on the countries in which the customers are located.

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Mainland China	596,826	651,090
Overseas	93,406	116,366
	690,232	767,456

7. LAND USE RIGHTS

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Opening net book amount	73,803	75,567
Amortization <i>(Note 14)</i>	(882)	(882)
Closing net book amount	72,921	74,685

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 for 50 to 70 years.

Land use rights with net value of RMB37,363,000 as at 30 June 2014 (31 December 2013: RMB34,798,000) were secured for bank borrowings (Note 12).

Amortization of land use rights have been charged to administrative expenses in the consolidated statement of comprehensive income.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

8. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Opening net book amount	1,165,438	1,064,238
Additions	1,821	192,424
Disposals	(24)	(591)
Depreciation <i>(Note 14)</i>	(48,216)	(43,666)
Closing net book amount	1,119,019	1,212,405

- (a) Depreciation expenses have been charged to the condensed consolidated statement of comprehensive income as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of sales	44,531	40,054
Selling and marketing expenses	54	53
Administrative expenses	3,631	3,559
	48,216	43,666

- (b) As at 30 June 2014, certain buildings and machinery with an aggregate carrying value of RMB273,240,000 (31 December 2013: RMB154,509,000) were secured for bank borrowings (Note 12).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

9. INVESTMENT IN ASSOCIATE

	Six months ended 30 June 2014 RMB'000 (Unaudited)
Share of net assets, as at 1 January 2014	–
Addition (a)	–
Share of loss of an associate	–
Share of net assets, as at 30 June 2014	–

	Six months ended 30 June 2013 RMB'000 (Unaudited)
Share of net assets, as at 1 January 2013	–
Addition (a)	2,973
Share of loss of an associate	(2,973)
Share of net assets, as at 30 June 2013	–

- (a) On 12 April 2013, the Company acquired 30% of shares in Sichuan Minjiang Snow Salt Chemical Industry Co., Ltd. (“Minjiang Snow”) at nil consideration. As a result, Minjiang Snow became an associate of the Company. Details of Minjiang Snow as at the date of acquisition are as follow:

Fair value on acquisition date RMB'000	Effective equity interest held by the Group	The Group's attributable share of the fair value of the associate RMB'000	Consideration	Bargain purchase RMB'000
9,910	30%	2,973	–	2,973

The loss for the six months ended 30 June 2014 of Minjiang Snow was RMB1,217,000. Due to the Company's share of loss of Minjiang Snow exceeds its interest in the associate, the Company discontinues recognising its share of further losses.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

10. INVENTORIES

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Raw materials	27,933	18,600
Work in progress	119,872	126,119
Finished goods	13,942	11,282
	161,747	156,001
Less: provision for write-down of inventories	–	–
	161,747	156,001

The cost of inventories recognised as expense and included in cost of sales for the six months ended 30 June 2014 amounted to RMB246,075,000 (for the six months ended 30 June 2013: RMB358,412,000).

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Trade receivables (a)	202,659	229,253
Due from third parties	203,458	230,052
Less: Provision for impairment of receivables	(799)	(799)
Prepayments	6,398	10,000
Prepayments for purchase goods from related parties	4,180	2,000
Prepayments for purchase goods from third parties	1,702	2,000
Value added tax input credits	516	6,000
Other receivables	2,700	651
	211,757	239,904

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

The carrying amounts of receivables approximate their fair values.

- (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 2014 and 31 December 2013, the aging analysis of the trade receivables is set as follows:

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Within 3 months	201,835	228,409
Between 4 and 6 months	17	45
Between 7 and 12 months	8	–
Above 1 year	1,598	1,598
	203,458	230,052

12. BORROWINGS

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Non-current		
Secured bank borrowings	164,391	68,078
Current		
Current portion of long-term secured bank borrowings	47,060	47,845
Short-term secured bank borrowings	410,850	275,152
	457,910	322,997
Total borrowings	622,301	391,075

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

12. BORROWINGS *(Continued)*

Movements in borrowings is analysed as follows:

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Opening amount	391,075	418,107
Additions	362,484	191,795
Repayments of borrowings	(132,438)	(179,894)
Exchange loss	1,180	–
Closing amount	622,301	430,008

(a) The Group's borrowings are secured by:

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Group's assets		
Buildings and land use rights <i>(Note 8(b), Note 7)</i>	71,000	30,000
Restricted cash	159,887	57,873
	230,887	87,873

(b) The Group's borrowings are guaranteed by:

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Corporate guarantee provided by subsidiaries of the Group	391,414	303,202

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

12. BORROWINGS *(Continued)*

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

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Within 1 year	457,910	322,997
Between 1 and 2 years	61,528	48,108
Between 2 and 5 years	102,863	19,970
	622,301	391,075

- (d) The undrawn borrowing facilities at the balance date are set out as follows:

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Undrawn borrowing facilities	660,744	742,724

- (e) Interest expense on borrowings for the six months ended 30 June 2014 was RMB13,368,000 (for the six months ended 30 June 2013: RMB11,912,000) (Note 16).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

13. TRADE AND OTHER PAYABLES

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Trade payables (a)		
Due to third parties	39,687	51,047
Bills payable (b)		
Due to related parties	–	1,500
Due to third parties	130,381	126,160
Other payables and accrual (c)		
Due to third parties	29,638	67,428
	199,706	246,135

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

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Within 3 months	39,672	51,032
Between 4 and 6 months	–	15
Between 7 and 12 months	15	–
	39,687	51,047

(b) As at 30 June 2014, the entire balances of bills payable were secured by restricted cash of RMB41,962,000 (31 December 2013: RMB50,517,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

13. TRADE AND OTHER PAYABLES *(Continued)*

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

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Freight charges	7,465	8,846
Salary and welfare payable	6,714	8,625
Taxes	6,679	11,651
Interests payable	2,600	–
Deposit	2,511	2,511
Water and electricity	1,147	23,397
Payable for property, plant and equipment purchases	783	10,409
Auditor's remuneration	600	1,275
Payable for repair and maintenance	159	–
Advance from customers	4	3
Others	976	711
	29,638	67,428

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

14. EXPENSES BY NATURE

The Group's cost of sales, selling and marketing expenses and administrative expenses represent the following items:

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Raw materials used and changes in inventories	246,075	358,412
Electricity and other utility fees	140,151	142,993
Depreciation of property, plant and equipment	48,216	43,666
Employee benefit expenses	36,117	34,725
Transportation and related charges	15,333	15,907
Taxes and levies on main operations	5,653	3,459
Repairs and maintenance	4,872	3,005
Office and entertainment expenses	3,093	3,674
Property insurance fee	1,143	1,322
Amortization of land use rights	882	882
Amortization of intangible assets	197	197
Operating leases expenses	739	752
Auditors' remuneration	600	600
Travelling expenses	604	715
Research and development costs	375	913
Other expenses	5,866	5,516
	509,916	616,738

15. FINANCE INCOME

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Interest income from bank deposits	1,864	1,713
Foreign exchange gains	–	19,172
	1,864	20,885

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

16. FINANCE COSTS

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Interest expenses:		
— Bank borrowings	13,368	11,912
— Discount interest for bill payables	1,228	5,603
— Other charges	1,140	1,865
	15,736	19,380
Foreign exchange losses	482	—
Less: Interest capitalised in property, plant and equipment	—	(2,184)
	16,218	17,196

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Weighted average effective interest rates used to calculate capitalisation amount	—	7.16%

17. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Current income tax		
— PRC enterprise income tax (a)	42,666	39,017
— Hong Kong profits tax (b)	—	222
Deferred income tax charge/(credit)	509	(3,300)
	43,175	35,939

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

17. INCOME TAX EXPENSE *(Continued)*

- (a) 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.
- (b) Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the period ended 30 June 2014.

18. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the 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.

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	124,098	104,465
Weighted average number of ordinary shares in issue (thousand)	802,191	802,191
Basic earnings per share (RMB yuan)	0.15	0.13

(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 2014 to 30 June 2014 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 are same with the basic earnings per share.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

19. DIVIDEND

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Dividend	24,856	24,692

The final dividend for the year ended 31 December 2013 amounting to RMB24,856,000 was paid in June 2014 (2013: RMB24,692,000).

The board of directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2014 (2013: Nil).

20. SHARE-BASED PAYMENT

- (a) 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 installments 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 2014, 16,000,000 outstanding options had not been vested and not exercised (as at 31 December 2013: 16,000,000). 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 condensed consolidated statement of comprehensive income over the vesting period of the options. Total share option expense charged to the condensed consolidated statement of comprehensive income during the six months ended 30 June 2014 amounted to RMB1,547,000 (for the six months ended 30 June 2013: RMB1,173,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

20. SHARE-BASED PAYMENT *(Continued)*

- (b) 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 2014.

21. COMMITMENTS

(a) Capital commitments

The Group has the following capital commitments not provided for:

	As at 30 June 2014 RMB’000 (Unaudited)	As at 31 December 2013 RMB’000 (Audited)
Authorised and contracted but not provided for — property, plant and equipment	—	4,559

(b) Operating lease commitments

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

	As at 30 June 2014 RMB’000 (Unaudited)	As at 31 December 2013 RMB’000 (Audited)
No later than 1 year	1,391	378
1–2 year	1,391	1,512
2–5 year	6,841	—
	9,623	1,890

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

22. 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) Purchases of goods with related parties

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Associate	–	10,007

(b) Period-end balances

	As at	As at
	30 June	31 December
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Due from related parties		
— associate <i>(Note 11)</i>	4,180	2,000
Due to related parties		
— associate <i>(Note 14)</i>	–	1,500

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

22. RELATED-PARTY TRANSACTIONS *(Continued)*

(c) Key management compensation

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, wages and bonuses	2,048	1,960
Contributions to pension plan	96	87
Pre-IPO option scheme expenses	1,547	1,173
	3,691	3,220

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

23. SUBSEQUENT EVENTS

There are no subsequent events after 30 June 2014.

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 2014.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2014, 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)
Lam Wai Wah	Beneficial owner	4,000,000	0.49%	(2)
	Interests in controlled corporation	419,949,888	52.35%	(2)
Chen Hong	Beneficial owner	4,000,000	0.49%	(3)
Miao Fei	Beneficial owner	4,000,000	0.49%	(3)
Chen Xiao	Beneficial owner	800,000	0.09%	(3)
Kou Huizhong	Beneficial owner	400,000	0.04%	(3)
Li Junfa	Beneficial owner	400,000	0.04%	(3)

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	26,498,838	37.86%

Notes:

- (1) Mr. Liem Djiang Hwa is indirectly interested in the Company through Yihua Crown Limited, which in turn is indirectly interested in the Company through China First Chemical Ltd.
- (2) Mr. Lam Wai Wah is indirectly interested in 419,949,888 shares of the Company through Yihua Fortune Limited, which in turn is indirectly interested in the Company through China First Chemical Ltd. Mr. Lam is also interested in 4,000,000 shares in the underlying shares of the Company by virtue of the options granted to him under the Pre-IPO Share Option Scheme.
- (3) The Company granted such options pursuant to the Pre-IPO Share Option Scheme.

Save as those disclosed above, as at 30 June 2014, 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 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 2014, 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% ⁽¹⁾
Mr. Lam Wai Wah	Interests in controlled corporation	419,949,888	52.35% ⁽²⁾
Yihua Crown Limited	Beneficial owner	4,000,000	0.49%
Yihua Fortune Limited	Interests in controlled corporation	419,949,888	52.35% ⁽²⁾
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% ⁽³⁾
China Renaissance Capital Investment II, L.P.	Interests in controlled corporation	180,050,112	22.44% ⁽⁴⁾
China Harvest Fund II, L.P.	Interests in controlled corporation	180,050,112	22.44% ⁽⁵⁾
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 the Company through China First Chemical Ltd.
- (2) Mr. Lam Wai Wah is indirectly interested in the Company through Yihua Fortune Limited, which in turn is indirectly interested in the Company through China First Chemical Ltd.
- (3) China Renaissance Capital Investment II GP is the general partner of China Renaissance Capital Investment II, L.P. pursuant to a partnership agreement.
- (4) China Renaissance Capital Investment II, L.P. is the general partner of China Harvest Fund II, L.P..
- (5) China Harvest Fund II, L.P. is the sole shareholder of Trophy Group Limited.

OTHER INFORMATION *(Continued)*

Save as those disclosed above, as at 30 June 2014, 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.

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 up to the date of this interim report, 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 2014.

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 2014, 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 2014 (six months ended 30 June 2013: 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 2014, 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:

Dr. Chen Xiao

Dr. Kou Huizhong

Mr. Li Junfa

REGISTERED OFFICE

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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 54, Hopewell Centre,
183 Queen's Road East, Hong Kong

COMPANY'S WEBSITE

www.cfc2121.com

COMPANY SECRETARY

Ms. Yuen Wing Yan, Winnie *FCIS, FCS*

AUTHORIZED REPRESENTATIVES

Mr. Lam Wai Wah

Ms. Miao Fei

ALTERNATE AUTHORIZED REPRESENTATIVE

Ms. Yuen Wing Yan, Winnie

AUDIT COMMITTEE

Dr. Chen Xiao (*Chairman*)

Mr. Li Junfa

Dr. Kou Huizhong

REMUNERATION COMMITTEE

Dr. Kou Huizhong (*Chairman*)

Dr. Chen Xiao

Ms. Miao Fei

NOMINATION COMMITTEE

Mr. Li Junfa (*Chairman*)

Dr. Kou Huizhong

Mr. Lam Wai Wah

CORPORATE INFORMATION *(Continued)*

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
Level 22, Hopewell Centre,
183 Queen's Road East,
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 Province
PRC