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## **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)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 70% EQUITY INTEREST AND SHAREHOLDER'S LOAN OF SICHUAN MINJIANG SNOW SALT CHEMICAL INDUSTRY CO., LTD**

#### **THE ACQUISITION**

The board of Directors is pleased to announce that Fuzhou Yihua Chemical Stock Co., Ltd. (the “**Purchaser**”) entered into the Equity Transfer and Loan Assignment Agreement with Chengdu Huaxi Hope Group Co., Ltd (the “**Vendor**”) on 17 December 2014 to acquire 70% of the equity of Sichuan Minjiang Snow Salt Chemical Industry Co., Ltd (the “**Target Company**”) together with the outstanding shareholders loan owed by the Target Company to the Vendor at a total consideration of RMB250 million (the “**Acquisition**”).

#### **IMPLICATIONS UNDER THE LISTING RULES**

As the relevant percentage ratios set out in the Rule 14.07 of the Listing Rule and more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company is subject to the notification and announcement requirements set out in Chapter 14 of the Listing Rules.

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 10 June 2014 in respect of the entering into of the framework agreement between the Company and the Vendor for the possible acquisition of 70% equity interest in the Target Company.

The Board wishes to announce that on 17 December 2014 (after trading hours), the Purchaser and the Vendor entered into the Equity Transfer and Loan Assignment Agreement, in which the Purchaser agreed to acquire and the Vendor agreed to sell 70% equity interest of the Target Company and Shareholder Loan, totaling an amount of RMB250 million. Upon completion of the Acquisition, the Target Company will become wholly-owned by the Purchaser and an indirect wholly-owned subsidiary of the Company.

## **THE EQUITY TRANSFER AND LOAN ASSIGNMENT AGREEMENT**

The principal terms of the Equity Transfer and Loan Assignment Agreement are set out below:

### **Date**

17 December 2014

### **Parties**

Purchaser : Fuzhou Yihua Chemical Stock Co., Ltd. (福州一化化學品股份有限公司), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company

Vendor : Chengdu Huaxi Hope Group Co., Ltd (成都華西希望集團有限公司), a company established under the laws of the PRC which as at the date of this announcement, directly holds 70% equity interest in the Target Company

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

### **Assets to be acquired**

The Vendor agreed to sell and the Purchaser agreed to purchase 70% equity interest of the Target Company at the consideration of RMB30 million and the Shareholder Loan in the amount of RMB220 million, amounting to a total of RMB250 million in accordance with the terms and conditions of the Equity Transfer and Loan Assignment Agreement.

### **Total consideration**

The total consideration of RMB250 million shall be payable by the Purchaser to the Vendor.

## **Basis of determining the consideration**

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms principally with reference to, among others, the face value of the shareholder loan, the respective paid-up capital in relation to 70% of the equity interest of the Target Company. Based on a special audit report prepared by an independent auditor, the total carrying amount of the assets and the net liabilities of the Target Company amounted to approximately RMB572 million and approximately RMB216 million, respectively as at 30 September 2014.

## **Obligations in relation to completing registration of the equity transfer and assignment of the Shareholder Loan**

The Vendor shall be responsible for completing the registration of the transfer of the equity interest to the Purchaser pursuant to the Acquisition with relevant industry and commerce bureau within 20 working days upon payment of the Consideration.

The Vendor shall deliver the notice regarding assignment of the Shareholder Loan to the Purchaser within 5 working days upon payment of the Consideration.

Upon completion of the Acquisition, the Purchaser will directly hold 100% equity interest in the Target Company and the Target Company will become an indirect wholly-owned subsidiary of the Company.

## **Termination**

The Directors presently anticipate that the Acquisition shall be completed within 2 months, the parties have the right to terminate the Equity Transfer and Loan Assignment Agreement unless otherwise agreed.

## **INFORMATION OF THE COMPANY**

The Company is a leading provider engaged in the water treatment and eco-friendly products by producing and selling eco-friendly products related to water treatment in the PRC.

## **INFORMATION OF THE VENDOR**

The Vendor is a company established under the laws of the PRC and is a holding company of a group engaged in a number of businesses such as animal feed, food, dairy products, production of chemical products, etc. in the PRC.

## **INFORMATION OF THE TARGET COMPANY**

The Target Company is a subsidiary of the Vendor, and was established in 2008. As at the date of the announcement, the Vendor and the Company owns 70% and 30% of the equity interest of the Target Company respectively. With its production base located in the Mao county, Aha prefecture of Sichuan Province, the Target Company principally engages in the production and sales of eco-friendly bleaching and disinfectant products, such as sodium chlorate.

According to a special audit report prepared by an independent auditor, the total carrying amount of the assets and the net liabilities of the Target Company amounted to approximately RMB572 million and approximately RMB216 million, respectively as at 30 September 2014.

The audited consolidated financial information of the Target Company for the two years ended 31 December 2013 and 31 December 2012 prepared in accordance with the generally accepted accounting principles in the PRC are set out below:

	<b>For the year ended 31 December</b>	
	<b>2013</b>	<b>2012</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	334,825	167,395
Gross Profit	43,034	1,925

The audited consolidated financial information of the Target Company for the nine months ended 30 September 2014 prepared in accordance with the generally accepted accounting principles in the PRC by an independent auditor in a special audit report are set out below:

	<b>For the nine months ended 30 September 2014</b>
	<i>RMB'000</i>
Revenue	157,064
Gross Profit	45,558

Upon the Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The production base of the Target Company located in the Mao county, Aba prefecture of Sichuan Province, where ample hydroelectric resources are available, it is able to continue to maintain a competitive edge of power supply at a lower price. The Board considers that the Acquisition represents an important step for the Company to implement industry consolidation and expansion strategy. The Acquisition is expected to add to the Company's market share and strengthen its regional distribution of its eco-friendly bleaching and disinfectant products, such as sodium chlorate in the PRC, and to boost its competitive edges and profitability in the domestic and global markets.

Since August 2013, the Target Company began the large-scale technical reformation as well as equipment maintenance and upgrading in respect of the production facilities at its production base. All technical reformation works were completed in April 2014. Due to the extensive technical reformation, the production of the Target Company was disrupted, resulting in a loss in Year 2013 for the Target Company.

With the completion of the technical reformation work, the Target Company restarted its production in May 2014. As prepared in accordance with the generally accepted accounting principles in the PRC, the audited revenue and profit after tax of the Target Company in the nine months ended 30 September 2014 were RMB157.06 million and RMB3.83 million respectively.

The terms of the Equity Transfer and Loan Assignment Agreement were determined after arm's length negotiations between the parties thereto and the Directors are of the view that the terms of the Equity Transfer and Loan Assignment Agreement are normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Upon the completion of the Acquisition, the Company will capitalize on its competitive edge in brand name, channels and technologies etc, and will adhere to its operation philosophy of technological advancement, innovation as well as all-round services, to apply eco-friendly treatment technologies, both chemical and physical, to formulate comprehensive eco-friendly treatment solutions addressing specific sectors such as paper manufacturing, dyeing, tanning and treatment of wastewater of high salinity and high concentration as well as urban sewage. The Company is committed to becoming a leading service provider of water treatment technology solutions in the PRC.

## **IMPLICATIONS UNDER THE LISTING RULES**

As some of the applicable percentage ratios (as defined under the Listing Rules) under Chapter 14 of the Listing Rules in relation to the Acquisition exceed 5% but are less than 25%, the Acquisition contemplated under the Equity Transfer and Loan Assignment Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to notification and announcement requirements but exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Acquisition”	the acquisition of 70% equity interest in the Target Company and the Shareholder Loan by the Purchaser under the Equity Transfer and Loan Assignment Agreement
“Board”	the board of Directors
“Company”	China First Chemical Holdings Limited (一化控股(中國)有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange under the stock code of 2121
“Consideration”	the total consideration payable by the Purchaser for the Acquisition pursuant to the terms of the Equity Transfer and Loan Assignment Agreement

“Director(s)”	the director(s) of the Company
“Equity Transfer and Loan Assignment Agreement”	the sale and purchase agreement dated 17 December 2014 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of the Company and is(are) not connected person(s) (as defined under the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Fuzhou Yihua Chemical Stock Co., Ltd. (福州一化化學品股份有限公司), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder Loan”	shareholder’s loan in the amount of RMB220 million advanced by the Vendor to the Target Company and remains outstanding immediately before the date of the Equity Transfer and Loan Assignment Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Sichuan Minjiang Snow Salt Chemical Industry Co., Ltd (四川岷江雪鹽化有限公司), a company established under the laws of the PRC, of which 70% and 30% of the equity interest are beneficially owned by the Vendor and the Company respectively as at the date of this announcement

“Vendor”

Chengdu Huaxi Hope Group Co., Ltd (成都華西希望集團有限公司), a company established under the laws of the PRC which as at the date of this announcement, directly holds 70% equity interest in the Target Company

“%”

percent

By Order of the Board of  
**China First Chemical Holdings Limited**  
**Liem Djiang Hwa**  
*Chairman and non-executive Director*

Fujian, the PRC, 17 December 2014

*As at the date of this announcement of the Company, the Board comprises the chairman and non-executive director namely Mr. Liem Djiang Hwa; the executive directors namely Mr. Chen Hong, Ms. Miao Fei and Mr. Lam Wai Wah; and the independent non-executive directors namely Dr. Chen Xiao, Dr. Kou Huizhong and Mr. Li Junfa.*