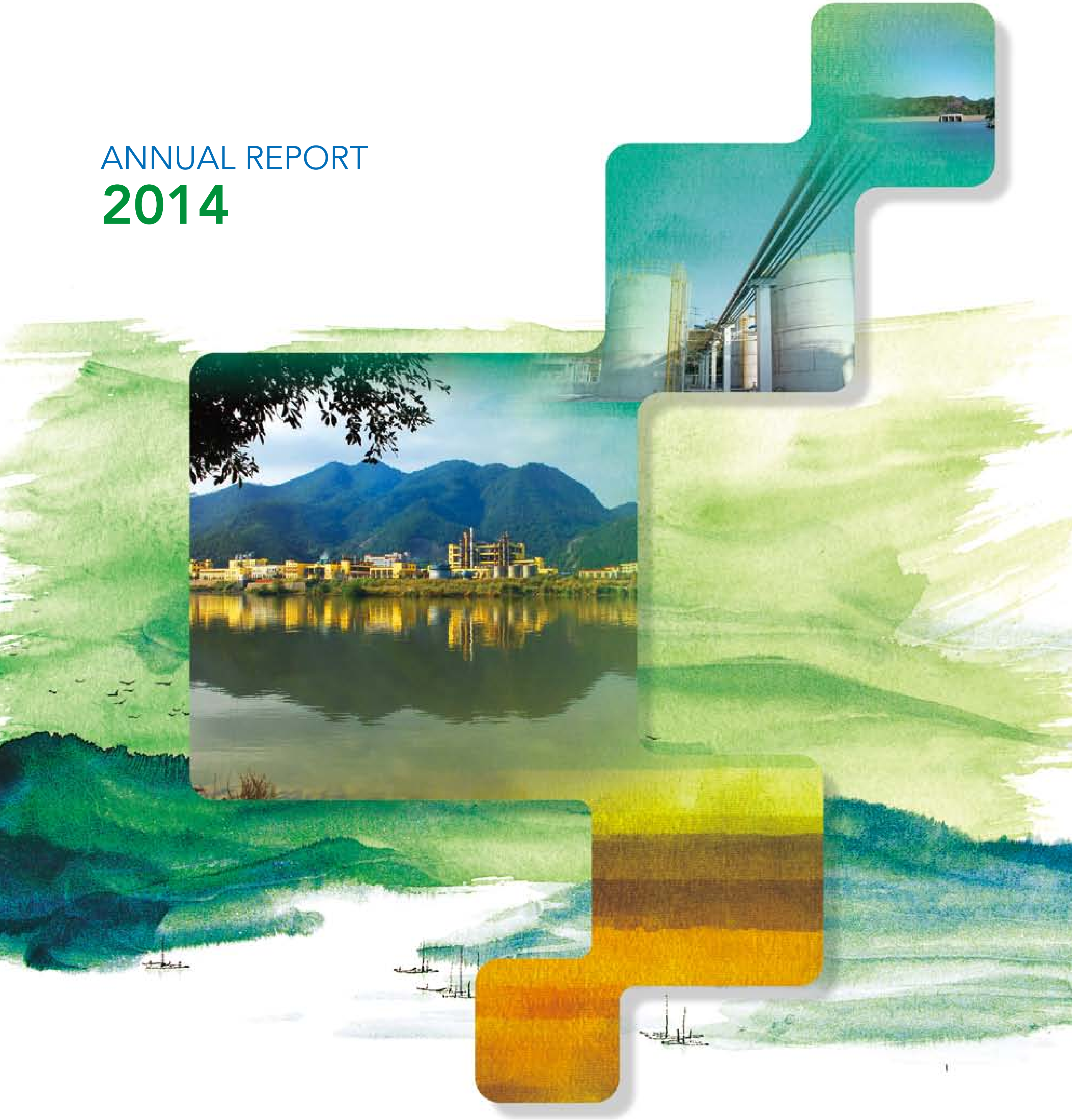
CHINA FIRST CHEMICAL HOLDINGS LIMITED
一化控股（中國）有限公司
(incorporated in the Cayman Islands with limited liability)
Stock Code: 2121

ANNUAL REPORT
2014



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CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of China First Chemical Holdings Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries for the year ended 31 December 2014.

In 2014, the global economy underwent adjustment with sluggish recovery, while economic growth in the People's Republic of China ("PRC") slowed down under increasing downward pressure. Under the guidance of national long-term environmental policy, the Company increased its investment in eco-friendly products such as sodium chlorate and hydrogen peroxide to secure a larger market share at home and abroad. The Company established and improved its technological innovation system and mechanism for independent research and development and the cooperation model between enterprises, research institutes and academies. In addition, the Company is committed to developing new products and new technologies for water treatment and creating a leading platform for water treatment technology services, so as to make a better water environment. In order to share the results with the shareholders, the Board has proposed to pay a final dividend of HK$0.0268 (RMB0.0213) per share for the year ended 31 December 2014 at an aggregate amount of approximately HK$21.53 million (RMB17 million) with a dividend ratio of approximately 10%.

MARKET REVIEW

Under the comprehensively deepening reform in 2014, economic development in the PRC entered a new normal pattern. Economic growth shifted from a high speed to a medium-high speed, while the economic structure was constantly optimized and upgraded. Endogenous growth momentum and innovative vitality was also unleashed. In the meantime, the PRC economy still faced any difficulties and challenges, such as downstream enterprises like paper manufacturers and printing and dyeing enterprises have encountered more difficulties as a result of the structural adjustment.

In 2014, the Company saw decrease in its sales revenue of eco-friendly bleaching and disinfectant chemicals and foaming agents as compared to the same period of 2013, especially the average selling price of hydrogen peroxide and foaming agents which decreased due to the weakened demand of downstream enterprises in the market and other factors.

To address water pollution issues, the Action Plan on Water Pollution Prevention and Control that has taken years to formulate will be launched and implemented in 2015. This plan will emphasize higher standards and transformation of industrial wastewater treatment and urban wastewater treatment. As the PRC government is paying attention to the increasing severe water environment, we expect the demand for industrial wastewater treatment and urban wastewater treatment will greatly promote the sales of our eco-friendly bleaching and disinfectant chemicals, thereby rapidly raising our profitability.

BUSINESS REVIEW

In December 2014, the Company entered into the Capital Increment Agreement with Jiangxi Zhengge Investment Co., Ltd.("Jiangxi Zhengge") in relation to the acquisition of 45% equity interest in Jiangxi Zhengge by way of capital increment. Jiangxi Zhengge holds 51% equity interest in China Salt Jiangxi Lantai Chemical Co., Ltd. (hereunder referred to as "Jiangxi Lantai") which has production lines with an annual capacity of 50,000 tonnes of sodium chlorate and 150,000 tonnes of hydrogen peroxide. In December 2014, the Company entered into the Equity Transfer and Loan Assignment Agreement with Chengdu Huaxi Hope Group Co., Ltd (成都華西希望集團有限公司) with Chengdu Huaxi Hope Group Co., Ltd on 17 December 2014 to acquire 70% of the equity of Sichuan Minjiang Snow Salt Chemical Industry Co., Ltd (四川岷江雪鹽化有限公司) (hereunder referred to as "Minjiang Snow"). Upon completion of the acquisition, Minjiang Snow became an indirect wholly-owned subsidiary of the Company. With its production base located in the Mao county, Aba Prefecture of Sichuan Province, Minjiang Snow has production lines with an annual capacity of 180,000 tonnes of sodium chlorate.

CHAIRMAN'S STATEMENT

In 2014, with the pollution control and recycling as its target, the Company conducted technological cooperation with Fujian Normal University in the application of integrated wastewater treatment technologies, such as bipolar membrane, and has formed its integrated process in the treatment of highly-saline high-concentration wastewater and realised the recycling of wastewater as resource. The Company also conducted pilot model test and research of wastewater with nitrogen ammonia in high concentration by applying the bipolar membrane technology to implement the industrial trail production.

FINANCIAL REVIEW

The interest-bearing debt to equity ratio of the Company was increased from approximately 21% shown on the Company's latest published consolidated financial statements as at 31 December 2013 to approximately 43% as at 31 December 2014, due to the mergers and acquisitions of eco-friendly water treatment chemicals business. However, such mergers and acquisitions will further enhance our market share and regional distribution in the PRC and thereby raise our overall profitability.

During the year under review, the revenue of the Company was approximately RMB1,237.8 million, representing a decrease of approximately RMB272.2 million or 18.0% from the revenue of approximately RMB1,510.0 million for the corresponding period last year. The decrease in revenue was mainly attributable to a decrease in the sales of eco-friendly bleaching and disinfectant products and foaming agents during the year.

The gross profit for the year was RMB370.5 million, representing a decrease of approximately RMB96.1 million or 20.6% from the gross profit of approximately RMB466.6 million for the corresponding period last year. The gross profit margin decreased slightly from 30.9% for 2013 to 29.9% for 2014, mainly due to (i) a decrease in the average selling prices of hydrogen peroxide and foaming agents as affected by the market environment; (ii) 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 enterprises.

OUTLOOK

The listing of the Company's shares on the Stock Exchange in 2011 has presented the Company a good opportunity to consolidate its capital base and improve overall capital position in a better market environment, and provided sufficient cash for the Company to carry out business consolidations. In 2015, economic development in the PRC is experiencing a new normal pattern along with increasing downward pressure. Despite such pattern, the Company, by utilizing its advantages in branding, channels and technology, its business philosophy of technological progress and innovation and comprehensive service, independent innovation and technical advancements, will promote sustainable development to create a leading platform for water treatment technology services.

On behalf of the Board
China First Chemical Holdings Limited
Mr. Liem Djiang Hwa
Chairman

The People's Republic of China, 20 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

Revenue for the year under review was approximately RMB1,237.8 million, representing a decrease of approximately RMB272.2 million or 18.0% from approximately RMB1,510.0 million for the corresponding period last year. The decrease was mainly attributable to the decrease in the sales of bleaching and disinfectant chemicals, and foaming agent during the year.

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

	2014		2013	
	Amount	% of Revenue	Amount	% of Revenue
Revenue (RMB'000)				
Bleaching and disinfectant chemicals	591,225	47.8%	669,280	44.3%
Other chemical products	646,502	52.2%	840,742	55.7%
Total	1,237,757	100.0%	1,510,022	100.0%
Sales (tons)				
Bleaching and disinfectant chemicals	333,117		339,985	
Other chemical products	96,859		104,014	
Total	429,976		443,999	

	2014	2013
	Amount	Amount
Average selling price (RMB/per ton)		
Bleaching and disinfectant chemicals	1,775	1,969
Other chemical products	6,675	8,083

The table below sets out the Group's pro-rated designed production capacity, actual output and utilization rate by product groups for the year under review:

	Pro-rated designed production capacity Tons	Actual output Tons	Utilization rate %
2014:			
Bleaching and disinfectant chemicals	380,000	335,973	88%
Other chemical products	184,000	145,491	79%
Total	564,000	481,464	86%

	Pro-rated designed production capacity Tons	Actual output Tons	Utilization rate %
2013:			
Bleaching and disinfectant chemicals	380,000	339,330	89%
Other chemical products	183,583	151,338	82%
Total	563,583	490,668	87%

MANAGEMENT DISCUSSION AND ANALYSIS

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 ECF and TCF pulp bleaching process by our downstream customers, respectively.

As at 31 December 2014 and 31 December 2013, the pro-rated designed production capacity of bleaching and disinfectant chemicals was 380,000 tons. There is no any new production facilities being constructed during the year.

During the year under review, the total revenue for the bleaching and disinfectant chemicals was RMB591.3 million, representing decrease of approximately 11.7% or RMB78.0 million from that in 2013. The decrease was a net effect of: (1) the decrease in domestic sales volume of sodium chlorate as a result of market condition, the sales of sodium chlorate decreased by approximately 12.6% to RMB369.4 million; and (2) the decrease in average selling price of hydrogen peroxide as a result of market condition, the sales of hydrogen peroxide decreased by approximately 9.8% to RMB216.6 million.

In 2014, the utilization rate of the Group's bleaching and disinfectant product segment (i.e. actual output to pro-rated designed production capacity) reached 88% (2013: 89%), which was demonstrating our production capacity being absorbed by relatively stable demand of downstream enterprises.

Other chemical products

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

As at 31 December 2014 and 31 December 2013, the pro-rated designed capacity of other chemical products was 184,000 tons and 183,583 tons respectively. In 2014, the annual pro-rated designed capacity of other chemical products increased by approximately 417 tons, which was mainly attributable to completion of the upgrade in production facilities for foaming agent, potassium chlorate, biurea and concentrated acid in 2013.

During the year under review, the total revenue for other chemical products was RMB646.5 million, representing a decrease of approximately 23.1% or RMB194.2 million from that in 2013. The decrease was mainly attributed to the decrease in outsourced production and increased in self-produced sales volumes of foaming agent after the upgrade of its production facilities.

In 2014, the utilization rate of the Group's other chemical products reached 79% (2013: 82%), which was demonstrating our production capacity being absorbed by relatively stable demand of downstream enterprise.

COST OF SALES

Our cost of sales primarily consists of costs 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, tax 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 51.7% and 59.7% of our total cost of sales for the year ended 31 December 2014 and 2013, respectively.

During the year under review, our cost of sales decreased by approximately RMB176.2 million or 16.9% to RMB867.2 million from RMB1,043.4 million in the corresponding period last year, which was primarily due to the decrease in outsourced production volume of foaming agent.

The percentage for cost of sales to revenue was 70.1% and 69.1% for the year ended 31 December 2014 and 2013, respectively reflecting efficient cost control.

MANAGEMENT DISCUSSION AND ANALYSIS

GROSS PROFIT AND GROSS MARGIN

Our gross profit decreased by approximately RMB96.1 million or 20.6% to RMB370.5 million for the year under review from RMB466.6 million for the corresponding period last year. The overall gross margin slightly decreased from 30.9% in 2013 to 29.9% in 2014, which was net effect of: (1) the decrease in average selling price of hydrogen peroxide and foaming agent, as a result of market condition; and (2) the fact that the Company owns a complete package of key process technologies and has the advantage of stable and reliable production and sound energy saving effects, whose indicators ourperform that of other domestic enterprise.

The table below sets out our gross margins by product group for the year under review:

	For the year ended 31 December		
Gross margin (%)	2014	2013	Change
Bleaching and disinfectant chemicals	33.0%	34.7%	(4.8%)
Other chemical products	27.1%	27.9%	(6.9%)
Overall	29.9%	30.9%	(7.7%)

Bleaching and disinfectant chemicals

The gross margin of bleaching and disinfectant chemicals decreased from 34.7% for the year ended 31 December 2013 to 33.0% for the year ended 31 December 2014, which was primarily attributed to the decrease in average selling price of hydrogen peroxide as a result of market condition.

Other chemical products

The gross margin of other chemical products decreased from 35.4% for the year ended 31 December 2013 to 27.1% for the year ended 31 December 2014, which was primarily attributed to the decrease in average selling price of foaming agent as a result of market condition.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses primarily consist of transportation and related charges for our products, sales taxes such as urban maintenance and construction tax, educational surtax, travelling expenses and other selling and marketing expenses. The selling and marketing expenses of the Group decreased by 7.6% to RMB38.7 million for the year ended 31 December 2014 from RMB41.9 million for the year ended 31 December 2013, which was in line with the decrease in revenue.

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 1.8% to RMB65.1 million for the year ended 31 December 2014 from RMB66.3 million for the year ended 31 December 2013, which was primarily attributed to which was primarily to effective cost control.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INCOME

Other income primarily consists of profit from sales of raw materials and government subsidies. The other income of the Group decreased by 35.3% to RMB2.2 million for the year ended 31 December 2014 from RMB3.4 million for the year ended 31 December 2013, which was primarily attributed to the decrease in government subsidies.

OTHER LOSSES — NET

Other losses — net, mainly consists of the net loss from the disposal of property, plant and equipment. The other losses, net of the Group decreased by 36.8% to RMB1.2 million for the year ended 31 December 2014 from RMB1.9 million for the year ended 31 December 2013, which was primarily attributable to decrease in loss on disposals of property, plant and equipment.

FINANCE INCOME

Finance income primarily represents interest income from our bank deposits. The finance income of the Group increased by 11.4% to RMB3.9 million for the year ended 31 December 2014 from RMB3.5 million for the year ended 31 December 2013, which was primarily attributed to the increase in interest earned on our bank deposits as a result of increase in term deposits during the year.

FINANCE EXPENSES

Finance expenses primarily consist of interest expenses on bank borrowings, discount interest for bill payables, other finance charges and foreign exchange losses, less interest capitalized in property, plant and equipment. The finance costs of the Group increased by 47.5% to RMB41.3 million for the year ended 31 December 2014 from RMB28.0 million for the year ended 31 December 2013, which was primarily attributed to increase in interest-bearing loans during the year.

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 decreased by 28.9% to RMB60.5 million for the year ended 31 December 2014 from RMB85.1 million for the year ended 31 December 2013. The effective tax rate increased to 26.2% for the year ended 31 December 2014 from 25.4% for the year ended 31 December 2013 as a result of adjustments for income and expenses items which were not assessable or deductible for income tax purpose.

PROFIT FOR THE YEAR

As a result of the foregoing factors, the profit attributable to the equity holders of the Company decreased by 31.8% to RMB170.8 million for the year ended 31 December 2014 from RMB250.3 million for the year ended 31 December 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 RMB725.2 million (2013: approximately RMB784.2 million), most of which were denominated in Renminbi. As at 31 December 2014, the interest bearing bank borrowings of the Group amounted to approximately RMB854.8 million (2013: approximately RMB391 million).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's current ratio (calculated as current assets divided by current liabilities) was 2.08 (2013: 2.17). The Group was in a strong net cash position as at 31 December 2013 and 2014. The Group has sufficient and readily available finance resource for both general working capital purpose and foreseeable capital expenditure.

Working capital

Inventories were approximately RMB166.5 million in total as at 31 December 2014, as compared with approximately RMB156.0 million as at 31 December 2013. The increase was primarily due to utilisation in work in process namely, working solution to be used to produce hydrogen peroxide. Average inventory turnover days was 67 days for the year 2014 (2013: 56 days).

As at 31 December 2014, trade receivables amounted to approximately RMB161.3 million in total, as compared with approximately RMB229.3 million as at 31 December 2013. The decrease was in line with decrease in our sales during the year. The average trade receivables turnover days was 57 days for the year 2014 (2013: 58 days).

As at 31 December 2014, trade and bills payables amounted to approximately RMB131.6 million in total, as compared with approximately RMB178.7 million as at 31 December 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 was 64 days for the year 2014 (2013: 83 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 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 year ended 31 December 2014, the net proceeds were applied in the following manner:

Use of proceeds	Net proceeds from initial public offering (HK$ million) Available	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	443.4

CAPITAL COMMITMENTS

The Group has the following capital commitments not provided for in the consolidated financial statements:

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Authorised and contracted but not provided for		
Property, plant and equipment	83,130	–

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 31 December 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 31 December 2014, the Group employed a total of 1,203 full time employees. For the year ended 31 December 2014, the employee benefit expense was approximately RMB67.2 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.

OUTLOOK

The year 2015 is crucial for comprehensively deepening the reform and is also imperative for the stabilisation of growth and structuring. In 2015, China's economic development will enter a period of new normality. In addition, the global economy is under profound adjustment with growing uncertainties. Meanwhile, strong industry players will become stronger in the future as both the society and the Government will continue to value and boost the development of the environmental protection industry. The Group will establish and improve its technical innovation system and mechanism integrating proprietary research and development with production, learning and research. The Group will improve its strategic layout of downstream to upstream industrial chain of the wastewater treatment through acquisition, build a leading water treatment technology and service platform, and proactively identify and prevent economic uncertainties.

Benefiting from the industrial development opportunities presented by the long-term national policy on environmental protection

Increasingly serious water environmental issues have drawn the attention of the Chinese Government. In order to control water pollution, the "Water Pollution Prevention and Control Action Plan" will be announced soon and implemented in 2015 after years of deliberation, which focuses on the upgrade of discharge standards and reconstruction for the industrial wastewater treatment and the urban wastewater treatment. The Government will also stringently enforce the law on environmental protection.

According to the "Plan for the Construction of Infrastructures for Urban Wastewater Treatment and Recycling under the 12th Five-Year Plan" ("十二五"全國城鎮污水處理及再生利用設施建設規劃), the wastewater treatment infrastructure construction industry (including municipal and industrial fields) will continue to grow in the same manner as in the "11th Five-Year Plan" period. By the end of 2015, the planned nationwide wastewater treatment capability will exceed 200 million cubic meters per day and the total investment in the newly-built wastewater treatment facilities in cities and towns will be more than RMB100 billion. The Group will continue to improve its profitability by benefiting from the industrial development opportunities as presented by the long-term national policy on environmental protection.

Ushering in a new phase of development focusing on promoting the growth quality of the industry

The Company will conduct intensive research and development on high-end products, such as eco-friendly bleaching and disinfectant products and foaming agents, develop new offerings for high-end users, explore high-end markets, enhance the added value of products and further build brand equity.

In 2015, as a number of factors, such as policies and markets, will provide guidance for the industrial integration of eco-friendly bleaching and disinfectant products and foaming agents, and the industrial structuring will be deepened, the Company will usher in a new phase of development focusing on promoting the growth quality of the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Establishing and improving the technical innovation system and mechanism integrating proprietary research and development with production, learning and research

During the important strategic period with opportunities against the development of the industry, the Group will establish and improve its technical innovation system and mechanism integrating proprietary research and development with production, learning and research while developing new products and new technologies to be applied in the wastewater treatment. In February 2013, the Company and Haixi Research Institute of Chinese Academy of Sciences (海西研究院) jointly established the "Research and Development Centre of Green Chemical Technology" (綠色化工技術研發中心). In November 2014, the Company conducted cooperation with Fujian Normal University in connection with the application of the leading edge technology, such as the application of bipolar membrane, in the integrated wastewater treatment.

The Group will continue to conduct intensive research and development, constantly cultivate and reserve new technologies, and focus on the promotion of the research and development on the high value-added production technology and the eco-friendly production process, so as to further sharpen its competitive edge.

Improving the strategic layout of downstream to upstream industrial chain of the wastewater treatment through acquisition

In December 2014, the Company acquired 45% equity interest in Jiangxi Zhengge Investment Co., Ltd. ("Jiangxi Zhengge") by way of capital increment. Jiangxi Zhengge holds 51% equity interest in China Salt Jiangxi Lantai Chemical Co., Ltd. ("Jiangxi Lantai") and Jiangxi Lantai owns production lines with annual production of 50,000 tonnes of sodium chlorate and 150,000 tonnes of hydrogen peroxide.

In December 2014, the Company entered into an equity transfer and loan assignment agreement with Chengdu Huaxi Hope Group Co., Ltd to acquire 70% equity interest in Sichuan Minjiang Snow Salt Chemical Industry Co., Ltd ("Sichuan Minjiang Snow") and completed the acquisition in February 2015. Sichuan Minjiang Snow has become an indirect wholly-owned subsidiary of the Company with its production base located in Aba prefecture, Sichuan Province and owns production lines with annual production of 180,000 tonnes of sodium chlorate.

The Group will continue to improve its strategic layout of downstream to upstream industrial chain of the wastewater treatment through acquisition, including the establishment of a service company equipped with technologies related to water treatment, so as to achieve the industrial integration and build new profit growth point.

Building a leading water treatment technology and service platform

The Company will consolidate the sources of the Group, such as products, technologies, channels and customers, to comprehensively apply chemical, biological and physical technologies, to formulate various overall technological solutions for environmental controls and to build a leading water treatment technology and service platform, so as to take advantage of technologies for serving the water environment.

Despite of the increasing pressure arising from the environment and the industrial competition against China's economic conditions in 2015, the Company will leverage on its leading edge in brand, channel and technology under the business concept of technological advance, technological innovation and full service to promote its sustainable development with innovation and technological progress.

DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHIES OF DIRECTORS

Chairman and non-executive Director

Mr. Liem Djiang Hwa (林強華), aged 60, has been a non-executive Director and chairman of our Company since 10 June 2011. Mr. Liem is the elder brother of Mr. Lam Wai Wah, an executive Director. Mr. Liem has five years of experience in the chemicals industry and has been involved in corporate management and investments. Prior to establishing the Group, Mr. Liem had been involved in his family business in Indonesia spanning across industries such as food and beverages, building and construction, and horticulture since 1974. In the early 1980's, Mr. Liem set up businesses in Indonesia involving plastic goods manufacturing and jewelleries. In 1998, Mr. Liem began to engage in trading business. In 2003, Mr. Liem went to the PRC to begin his investment and trading business in textiles and lumber, which was subsequently sold in 2004. Between 2005 and 2009, he acquired Fujian Rongping, Fujian Rongchang and Fuzhou Yihua.

Executive Directors

Mr. Chen Hong (陳洪), aged 50, has been an executive Director since 10 June 2011 and he is currently the Chief Executive Officer ("CEO") of our Company. He is responsible for the corporate and strategic development of the Group. Mr. Chen has more than 20 years of experience in the chemicals industry. He joined the Group in 1988. Mr. Chen is also the vice president of China Inorganic Salt Industry Association (中國無機鹽工業協會) and president of the Chlorate Salt Sub-Division of China Inorganic Salt Industry Association (中國無機鹽工業協會氯酸鹽分會). Mr. Chen obtained a bachelor's degree in economics from Tianjin University of Commerce (天津商學院) in July 1988.

Ms. Miao Fei (繆妃), aged 41, has been an executive Director since 10 June 2011. Ms. Miao has more than 14 years of experience in human resources and operations management. She joined the Group in 2005 as administrative director. Ms. Miao is currently the vice president of our Company with a focus on human resources management.

Mr. Lam Wai Wah (林維華), aged 58, has been an executive Director since 10 June 2011. He is responsible for the Group's marketing and business development. He is also the marketing director of our Company. Mr. Lam joined the Group in 2006 as director of Fujian Rongping. Mr. Lam is the younger brother of Mr. Liem Djiang Hwa, a non-executive Director and the Chairman of the Company. He has more than 20 years of experience in international trade and sales in Hong Kong and other regions. From 1986 to 2001, he was involved in the management of companies in the textiles and manufacturing industries. From 2001 to 2006, he served as the general manager of Sino Bright International Enterprise Ltd. (香港耀華國際企業有限公司), a trading company in Hong Kong, involving in trading, including the export of electrical appliances and lumber.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Dr. Chen Xiao (陳曉), age 52, has been an independent non-executive Director since 10 June 2011. Dr. Chen has been appointed as an independent non-executive director and chairman of audit committee of Jintian Pharmaceutical Group Limited, a Company listed on the main board of Hong Kong Stock Exchange (stock code: 2211) since 18 November 2013. Since August 2012, Dr. Chen has served as an independent director of Changyou.com Ltd. (stock code: CYOU), a company listed on NASDAQ. Starting 21 January 2015, Dr. Chen has served as an independent director of Beijing ChineseAll Digital Publishing Co., Ltd (stock code: 300364), a company listed on Shenzhen Stock Exchange. During June 2007 to July 2014, he was an independent director and the chairman of the audit committee of Noah Education Holdings Ltd. (stock code: NED), a company listed on the New York Stock Exchange. Prior to 2012, he served as an independent director of five public companies listed on the Shanghai and Shenzhen Stock Exchanges. Dr. Chen obtained a bachelor's degree in chemical engineering and machinery from Wuhan Institute of Technology (武漢工程大學) in 1983. He then obtained a master's degree in management from University of Science and Technology of China (中國科學技術大學) in 1989 and a doctorate degree in economics from Tulane University respectively in 1996. Dr. Chen was a professor in and chairman of the Department of Accounting at the School of Economics and Management of Tsinghua University (清華大學). He had taught and conducted academic research in the fields of accounting and taxation at Tsinghua University for a period of 18 years. Dr. Chen is experienced in accounting and has published a number of articles in both domestic and international academic accounting journals covering topics such as financial accounting, corporate governance and taxation.

Dr. Kou Huizhong (寇會忠), aged 47, has been an independent non-executive Director since 10 June 2011. Dr. Kou is currently a professor in the Department of Chemistry at Tsinghua University and has held such position since 2007. He was a lecturer and an associate professor at the Department of Chemistry, Tsinghua University, from 2001 to 2002 and 2002 to 2007, respectively. Dr. Kou obtained a bachelor's degree and a doctorate degree from Nankai University (南開大學) in 1990 and 1999 respectively. Dr. Kou then conducted his postdoctoral research in Peking University (北京大學). From 2004 to 2005, he was a special fellow of the Japanese Society for the Promotion of Science. Dr. Kou focuses his research on structural chemistry and multifunctional materials. Dr. Kou was awarded the Youth Chemical Prize (青年化學獎) from Chinese Chemical Society (中國化學會) in 2002 and Good Teachers and Helpful Friends Prize for graduate students from Tsinghua University in 2004.

Mr. Li Junfa (李君發), aged 52, has been an independent non-executive Director since 10 June 2011. Mr. Li has more than 30 years of experience in the petroleum and chemical engineering industry. Mr. Li is currently the chief engineer of China National Petroleum and Chemical planning Institute (石油和化學工業規劃院) ("NPCPI"). He is also an independent director of the following companies: Shangdong Hualu-Hengsheng Chemical Co., Ltd. (山東華魯恒升化工股份有限公司) (stock code: 600426), Nantong Jiangshan Agrochemical & Chemicals Co.,Ltd. (南通江山農藥化工股份有限公司) (stock code：600389) and Weifang Yaxing Chemical Co., Ltd (濰坊亞星化學股份有限公司) (stock code: 600319), all listed on the Shanghai Stock Exchange; and Yunnan Salt & Chemical Industry Co., Ltd. (雲南鹽化股份有限公司) (stock code: 002053), a company listed on the Shenzhen Stock Exchange. From 1983 to 1998, Mr. Li worked for China Hualu Chemical Engineering Co., Ltd. (中國華陸化學工程公司) where he was responsible for engineering design and technology development work. Mr. Li joined NPCPI in 1998, and he has been, and is currently, the chief engineer since 2007. Mr. Li has published numerous articles and received various awards in the petroleum and chemical engineering industry. Mr. Li received his bachelor's degree in fundamental organic chemical engineering at Qingdao Science and Technology University (青島科技大學) in 1983 and participated in a training program on economics and management for senior managers at the School of Economics and Management, Tsinghua University, from 2001 to 2002. Mr. Li was qualified as professional-level senior engineer and registered chemical engineer in 2003 and 2004, respectively.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Please refer to "Directors, Senior Management and Employees — Board of Directors" in this section for the biographies of Mr. Chen Hong, Ms. Miao Fei and Mr. Lam Wai Wah.

Mr. Zhang Heng (張亨), aged 39, is the chief financial officer of our Company. He is mainly responsible for overseeing our Group's corporate investments and investor relations of our Group. Mr. Zhang has over 14 years of experience in the financial industry and capital market. Prior to joining our Group, Mr. Zhang worked for Industrial and Commercial Bank of China Limited (Head Office), a company listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange, Bank of China (Singapore Branch), a company listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange, and Sea Rainbow Holding Corp. (海虹企業(控股)股份有限公司), a company listed on the Shenzhen Stock Exchange. Mr. Zhang obtained a bachelor's degree in economics from University of International Business and Economics (對外經濟貿易大學) in July 1997 and a master's degree in business administration from National University of Singapore in July 2002. Mr. Zhang is a chartered financial analyst of the CFA Institute.

Mr. Tan Boon Chek, aged 37, is the finance director of our Company, responsible for handling corporate finance matters. He joined our Group in 2009. Mr. Tan has experience in accounting and finance. Prior to joining our Group, he worked for several international accounting firms, serving such positions as senior accountant at Baker Tilly in Singapore from 2002 to 2004, assistant audit manager at Ernst & Young LLP in Singapore from 2005 to 2006, and audit manager at Ernst & Young Hua Ming, CPA, in the PRC from 2006 to 2009. Mr. Tan graduated from University of Adelaide, Australia with a bachelor's degree in commerce (accounting) in December 1999. Mr. Tan is a CA member of the Institute of Singapore Chartered Accountants ("ISCA") and a CPA member of the CPA Australia, Hong Kong Institute of Certified Public Accountant ("HKICPA"). Mr. Tan obtained a master's degree in business administration from Nanyang Technological University, Singapore in July 2012.

Mr. Chen Li (陳力), aged 47, is the director and general manager of Fuzhou Yihua. Mr. Chen has more than 20 years of experience in the chemical industry. Mr. Chen joined our Group in 1987 and has served on various positions within our Group, such as factory sub-chief of Fujian Rongping from 1998 to 2002, where he supervised facilities and supply management. He was executive vice general manager of Fuzhou Yihua from 2002 to 2006, where he managed the daily operations at Fuzhou Yihua. Since 2007, Mr. Chen was director and general manager of Fuzhou Yihua, overseeing its production and operational activities. Mr. Chen graduated from Fuzhou Gongren Yeyu University (福州市工人業餘大學) in 1991. He is also an assistant engineer.

Mr. Zhou Yi (周沂), aged 55, is the director and executive vice general manager of Fuzhou Yihua. Mr. Zhou has more than 28 years of experience in the chemical industry. Prior to joining our Group, Mr. Zhou worked at the Ministry of Light Industry (Changlu Bureau). He joined our Group in 1985 and served as director of production and technology department of Fuzhou Yihua from 1997 to 1999, where he led the research and development activities of Fuzhou Yihua. From 1999 to 2006, Mr. Zhou was the leader of various chemical production projects. From 2006 to 2009, he was vice manager of Fuzhou Yihua, where he supervised activities spanning from production and daily operations to quality assurance and property management. Since 2010, Mr. Zhou has been the vice general manager of Fuzhou Yihua. Mr. Zhou obtained a bachelor's degree in engineering from East China University of Science Technology (華東理工大學) in July 1982. In December 2004, Mr. Zhou was awarded the title of "Senior Engineer" (高級工程師) by the Fujian Province Personnel Affairs Bureau, a provincial government authority responsible for employment and personnel matters, recognizing his achievements and knowledge in the industry.

DIRECTORS AND SENIOR MANAGEMENT

Mr. He Zhong (何中), aged 47, is the director and general manager of Fujian Rongping. He has more than 20 years of experience in the chemical industry. Mr. He joined our Group in 1989 and has served on various positions within our Group, including director of production and technology department of Fuzhou Yihua from 1998 to 2002, where he led the research and development activities of Fuzhou Yihua. He was also executive vice general manager of Fujian Rongping from 2002 to 2008, managing technology and operational systems. Since 2008, Mr. He has been the director and general manager of Fujian Rongping and is in charge of business development and corporate management. Mr. He graduated from Fuzhou Teachers College (福州師範專科學院) in 1989.

Mr. Chen Tianzhen (陳天震), aged 51, is the director and executive vice general manager of Fujian Rongping. Mr. Chen joined our Group in 1985 and was deputy director of the equipment department of Fuzhou Yihua from 1989 to 1995, where he was in charge of managing chemical production facilities. He was vice general manager of Fujian Rongping since 2002, where he managed production facilities and daily operational activities of Fujian Rongping. Mr. Chen obtained a bachelor's degree in chemical engineering and machinery from Fuzhou University (福州大學) in 1985.

Mr. Wei Gang (魏剛), aged 58, is the director and general manager of Fujian Rongchang. Mr. Wei joined Fujian Rongchang in 1981 and was director of the production department from 1995 to 2006, where he supervised chemical production processes. He has been the general manager of Fujian Rongchang since 2007, in charge of chemical production systems and product development. Mr. Wei obtained a certificate in inorganic chemical engineering from Jianyang District Industrial Diploma Program (建陽地區工業大專班) in 1981. In December 2003, Mr. Wei was awarded the title of "Senior Engineer" (高級工程師) by the Fujian Province Personnel Affairs Bureau, a provincial government authority responsible for employment and personnel matters, recognizing his achievements and knowledge in the industry.

Mr. Lin Guigui (林桂貴), aged 51, is the director and executive vice general manager of Fujian Rongchang. Mr. Lin has more than 22 years of experience in the chemical production industry. Mr. Lin joined our Group in 1988 and was general manager of Fuzhou Yihua from 2001 to 2005. From 2006 to 2007, Mr. Lin was vice general manager of Fujian Rongchang, where he managed production systems and led technical research activities. Mr. Lin obtained a bachelor's degree in engineering from Fuzhou University (福州大學) in 1988. Mr. Lin is also a senior chemical engineer. In December 2004, Mr. Lin was awarded the title of "Senior Engineer" (高級工程師) by the Fujian Province Personnel Affairs Bureau, a provincial government authority responsible for employment and personnel matters, recognizing his achievements and knowledge in the industry.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Board") of the Company has committed to maintaining high corporate governance standards.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The Board believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability.

In the opinion of the directors, throughout the year ended 31 December 2014, the Company has complied with all the code provisions as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2014.

BOARD OF DIRECTORS

The Board of the Company comprises the following directors:

Non-executive Director:

Mr. Liem Djiang Hwa *(Chairman)*

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

The biographical information of the directors are set out in the section headed "Biographies of Directors" on pages 11 to 12 of the annual report for the year ended 31 December 2014. The relationships between the members of the Board are also disclosed in the same section.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. Liem Djiang Hwa and Mr. Chen Hong respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

CORPORATE GOVERNANCE REPORT

Independent Non-executive Directors

During the year ended 31 December 2014, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the Independent Non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors are independent.

Non-executive Directors and Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that Non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the directors of the Company is appointed for a specific term and is subject to retirement by rotation once every three years.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All directors, including Non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All directors have full and timely access to all the information of the Company. The directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

CORPORATE GOVERNANCE REPORT

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for directors will be arranged and reading material on relevant topics will be issued to directors where appropriate. All directors are encouraged to attend relevant training courses at the Company's expenses.

In March 2014, the Company has organised training session on updates on Listing Rules relating to Environmental, Social and Governance Reporting Guide and directors' duties which was attended by all directors.

BOARD COMMITTEES

The Board has established 3 committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are Independent Non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on pages 98.

Audit Committee

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held three meetings to review interim and annual financial results and reports in respect of the year ended 31 December 2014 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice without the presence of the Executive Directors.

Remuneration Committee

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, the remuneration policy and structure for all directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee met once to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the Executive Directors and senior management and other related matters.

Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board composition and diversity (including but not limited to gender, age, cultural and educational background, professional and industry experience, skills, knowledge and experience) of the board, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of Independent Non-executive Directors.

CORPORATE GOVERNANCE REPORT

The Nomination Committee has adopted a set of nomination procedures for selection of candidates for directorship of the Company by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations.

The Company has adopted a Board Diversity Policy on 28 August 2013 which aims to set out the approach to achieve diversity on the Company's board of directors. The Company recognizes and embraces the benefits of having a diverse board, and see diversity at Board level as an essential element in maintaining a competitive advantage.

The Nomination Committee met once to review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors, and to consider the qualifications of the retiring directors standing for election at the Annual General Meeting.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2014 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Nomination Committee	Remuneration Committee	Audit Committee	Annual General Meeting
Liem Djiang Hwa	2/5	–	–	–	1/1
Chen Hong	5/5	–	–	–	1/1
Miao Fei	5/5	–	1/1	–	1/1
Lam Wai Wah	5/5	1/1	–	–	1/1
Chen Xiao	5/5	–	1/1	3/3	1/1
Kou Huizhong	5/5	1/1	1/1	3/3	1/1
Li Junfa	5/5	1/1	–	3/3	1/1

Apart from regular Board meetings, the Chairman also held meetings with the Non-executive Directors (including Independent Non-executive Directors) without the presence of Executive Directors during the year.

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2014.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 30 to 31.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors of the Company in respect of audit services for the year ended 31 December 2014 amounted to RMB3,300,000.

An analysis of the remuneration paid to the external auditors of the Company, PricewaterhouseCoopers, in respect of audit services and non-audit services for the year ended 31 December 2014 is set out below:

Service Category	Fees Paid/Payable RMB
Audit Services	3,300,000
Non-audit Services	–
	3,300,000

INTERNAL CONTROLS

During the year under review, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

COMPANY SECRETARY

Ms. Yuen Wing Yan, Winnie of Tricor Services Limited, external service provider, has been engaged by the Company as its company secretary. Its primary contact person at the Company is Ms. Miao Fei, Director of the Company. During 2014, the Company Secretary undertook over 20 hours of professional training to update her skills and knowledge.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors. All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
(For the attention of the Board of Directors)
Email: yihua@cfc2121.com

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an ongoing dialogue with shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, all Non-executive Directors, Independent Non-executive Directors, and the chairmen of all Board committees (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

REPORT OF THE DIRECTORS

The directors are pleased to present to shareholders their report and the audited financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Principal activities of its subsidiaries are set out in note 1 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of comprehensive income on page 35.

SIX YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the latest six financial years is set out on page 96 of this annual report.

DIVIDEND

The Board has not recommended the payment of any interim dividend for the six months ended 30 June 2014.

The Board recommended the payment of a final dividend of HK2.68 cents (RMB2.13 cents) per Share for the year ended 31 December 2014 to shareholders whose names appear on the register of members of the Company on 22 June 2015. The proposed final dividend is subject to the approval by the shareholders at the forthcoming annual general meeting to be held on Monday, 15 June 2015. The final dividend is expected to be paid on or before 26 June 2015.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlements of the shareholders to attend and vote at the annual general meeting, the register of members of the Company will be closed from Friday, 12 June 2015 and Monday, 15 June 2015, both days inclusive, during which no transfer of Shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all Share transfers, being accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 11 June 2015.

In order to determine the entitlements of shareholders of receiving the proposed final dividend, the register of members of the Company will be closed on Friday, 19 June 2015 and Monday, 22 June 2015, both days inclusive, during which no transfer of Shares will be registered. In order to be eligible of receiving the proposed final dividend, all Share transfers, being accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at the above address for registration no later than 4:30 p.m. on Thursday, 18 June 2015.

RESERVES

Details of movements in the reserves are set out in the consolidated statement of changes in equity on page 36 and Note 18 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to shareholders at the end of the reporting period amounted to RMB1,167.6 million (2013: RMB1,014.6 million).

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in Note 7 to the consolidated financial statements.

BORROWINGS

Details of the borrowings of the Group are set out in Note 19 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in Note 17 to the consolidated financial statements.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

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

In accordance with Article 16.18 of the Articles of Association of the Company, Mr. Liem Djiang Hwa, Dr. Kou Huizhong and Mr. Li Junfa will retire at the forthcoming annual general meeting of the Company, and, being eligible, offer themselves for re-election.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

The biographical information of directors and senior management of the Company is disclosed in the annual report of the Company.

REMUNERATION OF DIRECTORS

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board of the Company with reference to the Directors' duties, responsibilities and performance and the results of the Group.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors namely, Mr. Chen Hong, Mr. Lam Wai Wah and Ms. Miao Fei, has entered into a service contract with the Company for a term of three years since the Listing Date, has renewed another three years commencing from 10 December 2014 and is subject to termination by either party giving not less than one month's written notice.

The Chairman and non-executive Director namely, Mr. Liem Djiang Hwa, has entered into a service contract with the Company for a term of three years since the Listing Date, has renewed another three years commencing from 10 December 2014 and is subject to termination by either party giving not less than one month's written notice.

Each of the independent non-executive Directors, namely Dr. Chen Xiao, Dr. Kou Huizhong and Mr. Li Junfa, has been appointed for a term of three years since the Listing Date, while Dr. Chen Xiao and Dr. Kou Huizhong have renewed another three years commencing from 10 December 2014 and are subject to termination by either party giving not less than three months' written notice.

No Director proposed for re-election at the annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the reporting period.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance has been entered into during the year between the Company or any of its subsidiaries and the controlling Shareholders or any of its subsidiaries.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouses or minor children to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 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	Interests in controlled corporation	419,949,888	52.35%	*(2)*

(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 our 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.

Save as those disclosed above, as at 31 December 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 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.

REPORT OF THE DIRECTORS

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 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	Interests in controlled corporation	419,949,888	52.35%(1)
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 our 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.

Save as those disclosed above, as at 31 December 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.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases attributable to the Group's major customers and suppliers respectively during the year are as follows:

	2014	2013
As a percentage of the Group's total sales		
The largest customer	9.8%	9.7%
Five largest customers in aggregate	38.5%	38.3%
As a percentage of Group's total purchases		
The largest supplier	18.0%	18.6%
Five largest suppliers in aggregate	59.2%	59.3%

None of the Directors or any of their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's major customers and suppliers during the year ended 31 December 2014.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme"), which was adopted on 10 June 2011 and 12 June 2011, respectively (the "Adoption Date"), for the purpose of providing incentives or rewards to selected eligible participants for their contribution to the Group. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from the Adoption Date.

Eligible participants of the Share Option Scheme include the following:

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any Directors (Including non-executive directors and independent non-executive directors) of the Company and its subsidiaries; and

(iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its subsidiaries.

As at the date of this annual report, the total number of Shares available for issue under the Share Option Scheme is 80,000,000, representing approximately 10% of the issued share capital of the Company as at the date of this annual report. The maximum number of Shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

REPORT OF THE DIRECTORS

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the options). In addition, where any grant of share options to a substantial shareholder or an independent non-executive Director, or to any of their respective associates, would result in the Shares already granted and to be granted (including options exercised, cancelled and outstanding) to such person in excess of 0.1% of the Shares in issue and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK$5 million, in a 12-month period up to and including the date of grant, such grant of share options are subject to Shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 by the grantee. The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Share Option Scheme.

The subscription price for Shares under the Share Option Scheme shall be a price determined by the Board, but shall not be less than the highest of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheers on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; or

(iii) the nominal value of a Share.

Since the Adoption Date and up to 31 December 2014, no share option has been granted by the Company.

PRE-IPO SHARE OPTION SCHEME

The Company operates a Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme"), which was adopted on 10 June 2011 and 12 June 2011, respectively (the "Adoption Date"), for the purpose of providing incentives or rewards to selected eligible participants for their contribution to the Group. Unless otherwise cancelled or amended, the Pre-IPO Share Option Scheme will remain in force for 3 years from the IPO Date, i.e. 9 December 2014. Therefore, all share options not exercised pursuant to the Scheme had expired during the year under review.

Eligible participants of the Pre-IPO Share Option Scheme include the following:

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries; and

(ii) any Directors (Including non-executive directors and independent non-executive directors) of the Company and its subsidiaries.

As at the date of this annual report, the total number of Shares available for issue under the Pre-IPO Share Option Scheme is 16,000,000, representing approximately 2% of the issued share capital of the Company as at the date of this annual report. The maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme is 16,000,000 Shares.

REPORT OF THE DIRECTORS

HK$1 is payable by the grantee to the Company on acceptance of the options granted under the Pre-IPO Share Option Scheme. The grantees to whom an option has been granted under the Pre-IPO Share Option Scheme will be entitled to exercise his/her option in the following manner:

(i) up to 30% of the Shares that are subject to the option so granted to him/her at any time during the period commencing from the Listing Date and ending on the expiry of one year thereafter;

(ii) up to 60% of the Shares that are subject to the option so granted to him/her but less the number of Shares in respect of which the option has been exercised (rounded down to the nearest whole number) at any time during the period commencing from the Listing Date and ending on the expiry of two years thereafter; and

(iii) the remaining Shares that are subject to the option so granted to him/her but less the number of Shares in respect of which the option has been exercised (rounded down to the nearest whole number) at any time during the period commencing from the Listing Date and ending on the expiry of three years thereafter.

The subscription price for Shares under the Share Option Scheme is equivalent to HK$2.7 (the IPO's Offer Price).

Since the Adoption Date and up to 31 December 2014, 16,000,000 options under the Pre-IPO Share Option Scheme have been granted by the Company, which were lapsed during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

RETIREMENT SCHEMES

The Group participates in a state-managed retirement scheme operated by the PRC government which covers the Group's eligible employees in the PRC. Particulars of these retirement plans are set out in note 23 to the consolidated financial statements in this annual report.

MATERIAL RELATED PARTY TRANSACTIONS

A summary of the related parties transactions entered into by the Group during the year ended 31 December 2014 is set out in Note 35 to the consolidated financial in this annual report statements.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions entered into by the Group during the year ended 31 December 2014.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2014 and up to the date of this report, the Group has not conducted any transaction which constituted continuing connected transactions for the Company under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

According to publicly available information of the Company and as far as the Directors were aware, as at the date of this report, there was a sufficient public float of the Company's issued shares as required under the Listing Rules.

REPORT OF THE DIRECTORS

ANNUAL CONFIRMATION OF INDEPENDENCE

The Company has received from each independent non-executive director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with each and every guideline set out in rule 3.13 of the Listing Rules.

AUDITORS

The Company has appointed PricewaterhouseCoopers as auditors since the listing of the Company on the Main Board of the Hong Kong Stock Exchange on 9 December 2011. The financial statements in the annual report for the year have been audited by PricewaterhouseCoopers. A resolution will be submitted at the annual general meeting of the Company to re-appoint PricewaterhouseCoopers as auditor of the Company.

By order of the Board

Mr. Liem Djiang Hwa
Chairman
The People's Republic of China, 20 March 2015

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

To the shareholders of China First Chemical Holdings Limited
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of China First Chemical Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 32 to 95, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2015

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Land use rights	6	72,039	73,803
Property, plant and equipment	7	1,211,946	1,165,438
Intangible assets	8	3,711	4,105
Long-term investments			
— Investment accounted for using the equity method	9(b)	112,704	–
Deferred income tax assets	10	914	1,425
Other non-current assets	11	208,230	–
		1,609,544	1,244,771
Current assets			
Inventories	12	166,479	156,001
Trade and other receivables	13	263,296	239,904
Cash and cash equivalents	15	725,234	784,153
Restricted cash	16	303,618	112,617
		1,458,627	1,292,675
Total Assets		3,068,171	2,537,446
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	17	65,346	65,346
Reserves	18	773,905	780,100
— Proposed final dividend	30	17,075	25,026
— Others		756,830	755,074
Retained earnings	18	1,167,607	1,014,644
Total equity		2,006,858	1,860,090

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	19	347,253	68,078
Deferred income	20	12,504	14,006
Deferred income tax liabilities	10	743	743
		360,500	82,827
Current liabilities			
Trade and other payables	21	187,368	246,135
Current income tax liabilities		5,871	25,397
Borrowings	19	507,574	322,997
		700,813	594,529
Total liabilities		1,061,313	677,356
Total equity and liabilities		3,068,171	2,537,446
Net current assets		757,814	698,146
Total assets less current liabilities		2,367,358	1,942,917

The notes on pages 38 to 95 are an integral part of these financial statements.

The financial statements on page 32 to 95 were approved by the Board of Directors on 20 March 2015 and were signed on its behalf.

CHEN HONG
Director

MIAO FEI
Director

COMPANY BALANCE SHEET

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Long-term investments			
— Investments in subsidiaries	9(a)	1,449,426	1,449,426
Other receivables	14	365,705	393,838
		1,815,131	1,843,264
Current assets			
Cash and cash equivalents	15	97	114
		97	114
Total Assets		1,815,228	1,843,378
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	17	65,346	65,346
Reserves	18	1,791,288	1,815,274
— Proposed final dividend	30	17,075	25,026
— Others		1,774,213	1,790,248
Accumulated losses	18, 31	(41,406)	(37,242)
Total equity		1,815,228	1,843,378
Total liabilities		–	–
Total equity and liabilities		1,815,228	1,843,378
Net current assets		97	114
Total assets less current liabilities		1,815,228	1,843,378

The notes on pages 38 to 95 are an integral part of these financial statements.

The financial statement on pages 32 to 95 was approved by the Board of Directors on 20 March 2015 and was signed on its behalf.

CHEN HONG
Director

MIAO FEI
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Revenue	5	1,237,757	1,510,022
Cost of sales	22	(867,229)	(1,043,436)
Gross profit		370,528	466,586
Selling and marketing expenses	22	(38,682)	(41,934)
Administrative expenses	22	(65,106)	(66,273)
Other income	24	2,183	3,369
Other losses — net	25	(1,153)	(1,897)
Operating profit		267,770	359,851
Finance income	26	3,934	3,512
Finance expenses	27	(43,106)	(28,004)
Finance expenses — net		(39,172)	(24,492)
Share of profits of investments accounted for using equity method		2,704	–
Profit before income tax		231,302	335,359
Income tax expense	28	(60,548)	(85,102)
Profit and total comprehensive income for the year		170,754	250,257
Attributable to:			
— Equity holders of the Company		170,754	250,257
		170,754	250,257
Earnings per share attributable to the equity holders of the Company (RMB Yuan)			
— Basic	29	0.21	0.31
— Diluted	29	0.21	0.31
Proposed final dividend	30	17,075	25,026

The notes on pages 38 to 95 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company								
	Note	Share capital RMB'000 (Note 17)	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Share-based payment reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2013		65,346	317,328	330,392	126,765	2,548	789,743	1,632,122	–	1,632,122
Profit for the year		–	–	–	–	–	250,257	250,257	–	250,257
Profit appropriation to statutory reserves	18(a)	–	–	–	25,356	–	(25,356)	–	–	–
Share-based payment expense	33(a)	–	–	–	–	2,403	–	2,403	–	2,403
Dividend distribution	30	–	–	(24,692)	–	–	–	(24,692)	–	(24,692)
Balance at 31 December 2013		65,346	317,328	305,700	152,121	4,951	1,014,644	1,860,090	–	1,860,090
Balance at 1 January 2014		65,346	317,328	305,700	152,121	4,951	1,014,644	1,860,090	–	1,860,090
Profit for the year		–	–	–	–	–	170,754	170,754	–	170,754
Profit appropriation to statutory reserves	18(a)	–	–	–	17,791	–	(17,791)	–	–	–
Share-based payment expense	33(a)	–	–	–	–	870	–	870	–	870
Dividend distribution	30	–	–	(24,856)	–	–	–	(24,856)	–	(24,856)
Balance at 31 December 2014		65,346	317,328	280,844	169,912	5,821	1,167,607	2,006,858	–	2,006,858

The notes on pages 38 to 95 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Cash generated from operations	32	322,671	421,625
Interest paid		(38,918)	(33,529)
Interest received		3,934	3,512
Income tax paid		(79,563)	(72,210)
Net cash generated from operating activities		208,124	319,398
Cash flows from investing activities			
Purchases of property, plant and equipment		(217,099)	(214,071)
Proceeds from sale of property, plant and equipment	32	980	–
Acquisition of equity interests in associates	9(b)	(110,000)	–
Prepayment for acquisition of additional equity interests in an associate	11	(125,000)	–
Restricted cash reserve for serving loan and bills payable		(191,001)	(51,126)
Net cash used in investing activities		(642,120)	(265,197)
Cash flows from financing activities			
Borrowings from banks		955,614	483,509
Repayments of bank borrowings		(493,510)	(505,239)
Loan to related parties	35(c)	(61,093)	–
Payments of IPO expenses		–	(1,517)
Dividend paid	30	(24,856)	(24,692)
Net cash generated/(used) in financing activities		376,155	(47,939)
Net (decrease)/increase in cash and cash equivalents		(57,841)	6,262
Cash and cash equivalents at beginning of year		784,153	778,553
Exchange losses on cash and cash equivalents		(1,078)	(662)
Cash and cash equivalents at end of year		725,234	784,153

The notes on pages 38 to 95 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND REORGANISATION

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 parent company of the Group is China First Chemical Ltd. (the "Parent Company"), a company which was incorporated in the Cayman Islands. The ultimate parent company of the Company is Yihua Crown Limited.

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 9 December 2011 ("Listing").

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 20 March 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated. The Group has adopted IFRSs that are effective for the accounting periods beginning on or before 1 January 2014.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standard adopted by the Group

The following standard has been adopted by the Group for the first time for the financial year beginning on 1 January 2014:

- Amendment to IAS 32 'Financial instruments: Presentation' on asset and liability offsetting, are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

- Amendment to IFRS 10, IFRS 12 and IAS 27 'Consolidation for investment entities', mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make.

- Amendment to IAS 36 'Impairment of Assets' on recoverable amount disclosures, addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' — 'Novation of derivatives', provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

- IFRIC Int 21 'Levies', this is an interpretation of IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- Annual improvements 2012, these amendments include changes from the 2010-2012 cycle of the annual improvements project, that affect 7 standards, only the below are effective for relevant transactions on or after 1 July 2014:

  ✓ IFRS 2, 'Share-based Payment'

  ✓ IFRS 3, 'Business Combinations' and consequential amendments to IFRS 9, 'Financial Instruments', IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', and IAS 39, 'Financial Instruments — Recognition and Measurement'

The adoption of the new and amended standards did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures *(Continued)*

(b) New standards and interpretations not yet adopted by the Group

A number of new and amended standards are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

- Amendment to IAS 19 regarding defined benefit plans: employee contributions. This narrow scope amendment applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits. Changes effective for the financial reporting periods beginning on or after 1 July 2014.

- Annual improvements 2012, these amendments include changes from the 2010–2012 cycle of the annual improvements project, that affect below standards. The amendment are effective from annual periods beginning on or after 1 July 2014.

  ✓ IFRS 8, 'Operating Segments'

  ✓ IAS 16, 'Property, Plant and Equipment' and IAS38, 'Intangible Assets'

  ✓ IAS 24, 'Related Party Disclosures'

- Annual improvements 2013, these amendments include changes from the 2011–2013 cycle of the annual improvements project that affect below standards. The amendments are effective from annual periods beginning on or after 1 July 2014.

  ✓ IFRS 3, 'Business Combinations'

  ✓ IFRS 13, 'Fair Value Measurement'

  ✓ IAS 40, 'Investment Property'

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures *(Continued)*

(b) New standards and interpretations not yet adopted by the Group (Continued)

- IFRS 14 'Regulatory Deferral Accounts', describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with IFRS14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services. IFRS 14 permits eligible first-time adopters of IFRS to continue their previous GAAP rate-regulated accounting policies, with limited changes. IFRS 14 requires separate presentation of regulatory deferral account balances in the balance sheet and of movements in those balances in the statement of comprehensive income. Disclosures are required to identify the nature of, and risk associated with, the form of rate regulation that has given rise to the recognition of regulatory deferral account balances. Changes effective for the financial reporting periods beginning on or after 1 January 2016.

- Amendment to IFRS 11 on accounting for acquisitions of interests in joint operations. The amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business' (as defined in IFRS 3, Business combination. Specifically, an investor will need to:

  ✓ measure identifiable assets and liabilities at fair value;

  ✓ expense acquisition-related costs;

  ✓ recognise deferred tax; and

  ✓ recognise the residual as goodwill.

  All other principles of business combination accounting apply unless they conflict with IFRS 11. The amendment is applicable to both the acquisition of the initial interest and a further interest in a joint operation. The previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation with joint control maintained. Changes effective for the financial reporting periods beginning on or after 1 January 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures *(Continued)*

(b) New standards and interpretations not yet adopted by the Group (Continued)

- Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortisation. The amendments clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to IAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendment to IAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances:

  ✓ where the intangible asset is expressed as a measure of revenue; or

  ✓ where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

  Changes effective for the financial reporting periods beginning on or after 1 January 2016.

- Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associate or joint venture. The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. Changes effective for the financial reporting periods beginning on or after 1 January 2016.

- Amendment to IAS 27 on equity method in separate financial statements. The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Annual improvements 2014, the amendments include changes from the 2012–2014 cycle of the annual improvements project that affect 4 standards:

  ✓ IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations'

  ✓ IFRS 7, 'Financial Instruments: Disclosures'

  ✓ IAS 19, 'Employee Benefits'

  ✓ IAS 34, 'Interim Financial Reporting'

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures *(Continued)*

(b) New standards and interpretations not yet adopted by the Group (Continued)

- IFRS 15 'Revenue from Contracts with Customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017.

- IFRS 9 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

  Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018.

There are no other new and amended standards that are not yet effective that would be expected to have a material impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated statement of comprehensive income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation *(Continued)*

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Associates *(Continued)*

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the consolidated statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated statement of comprehensive income.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Since the majority of the assets and operations of the Group are located in the PRC, the consolidated financial statements are presented in Renminbi ("RMB"), which is the functional and presentation currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or expenses'. All other foreign exchange gains and losses are presented in the income statement within 'Other losses — net'.

Translation differences on non-monetary financial assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation *(Continued)*

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate comprehensive income.

(d) Goodwill

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment other than construction-in-progress are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost less residual value estimated for these assets less impairment loss of each asset over its estimated useful life, as follows:

Buildings	30–50 years
Machinery	8–15 years
Motor vehicles	8 years
Furniture and office equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment *(Continued)*

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing net sales proceeds with the carrying amount and are recognised within 'other losses — net' (Note 25) in the consolidated statement of comprehensive income.

Construction-in-progress (the "CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition and capitalised borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

2.7 Land use rights

Land use rights are up-front payments to acquire long-term interest in leasehold land, which are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the land from the date when the respective rights were granted. Amortisation of land use rights is calculated on a straight-line basis over the period of the lease and is recognised in the consolidated statement of comprehensive income within administrative expenses.

2.8 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Licences

Separately acquired licences are shown at historical cost. Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives of 12 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets

2.9.1 Classification

The Group's financial assets include financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (Notes 13 and 15).

2.9.2 Recognition and measurement

Regular way purchases and sales of investments are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial liability at fair value through profit or loss' category are presented in the consolidated statement of comprehensive incomes within 'Other losses — net' in the period in which they arise.

2.9.3 Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.9.4 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets *(Continued)*

2.9.4 Impairment of financial assets *(Continued)*

Assets carried at amortised cost (Continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in consolidated statement of comprehensive income in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Employee benefits

(a) Pension obligations

The full-time employees of the Group in the PRC are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liabilities to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these pension plans, the Group has no obligation for post-retirement benefit beyond the contributions made. Contributions to these plans are expensed as incurred.

(b) Housing benefits

All full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each year.

2.19 Share-based payment

Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions (for example, an entity's share price);

- Excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- Including the impact of any non-vesting conditions (for example, the requirement for employees to save).

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) **Sales of goods**

Sales of goods are recognised when the Group has delivered products to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) **Interest income**

Interest income is recognised using the effective interest method.

(c) **Dividend income**

Dividend income is recognised when the right to receive prepayment is established.

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the cost that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are recognised in the consolidated statement of comprehensive income as other income on a straight-line basis over the expected lives of the related assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2.24 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 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 Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. Foreign exchange rate risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

For the years ended 31 December 2014 and 2013, approximately 14% and 15%, respectively of the Group's sales are denominated in currencies other than the entity's functional currency.

Other than certain bank balances, trade receivables, other payables and borrowings (Note 15, 13, 21, and 19), the Group's assets and liabilities are primarily denominated in RMB.

At 31 December 2014, if RMB had weakened/strengthened by 5% against the USD and HKD respectively with all other variables held constant, profit before tax for the year ended 31 December 2014 would have been RMB30,581,000 lower/higher (2013: RMB5,868,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of USD-denominated and HKD-denominated cash and cash equivalents, trade and other receivables, other payables and borrowings.

The Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

The carrying amounts of cash and cash equivalents, restricted cash, and trade and other receivables, represent the Group's maximum exposure to credit risk in relation to financial assets.

As at 31 December 2014 and 2013, 93% and 92% of the Group's restricted cash and cash and cash equivalents, respectively, are held in state-owned financial institutions, which management believes are of high credit quality. Management does not expect any losses from non-performance by these counterparties.

The Group has no significant concentrations of credit risk. The carrying amount of receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to these financial assets. Ageing analysis of the Group's accounts receivable is disclosed in Note 13. The Group has policies in place to ensure that credit sales are only made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group assesses the credit quality of its customers by taking into account various factors including their financial position and past experience. The utilisation of credit terms is regularly monitored and management does not expect any losses from non-performance by these counterparties.

Counterparty risk related to trade receivables is limited due to the large number of customers in the Group's customer portfolio and their diversification throughout various business sectors, as well as geographic locations. As at 31 December 2014, the exposure to the top 15 customers did not exceed 65% (2013: 68%) of the gross trade and other receivables, with the exposure to the largest customer representing less than 8% (2013: 9%).

(c) Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and bank borrowings. The Group does not expect significant difficulties in subsequent renewals of these borrowings.

The maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in Note 19. Generally there is no specific credit period granted by the suppliers but the related trade payables are normally expected to be settled within three months after receipt of goods or services.

At 31 December 2014 and 2013 the Group held cash and cash equivalents of RMB725,234,000 and RMB784,153,000 (Note 15), trade receivables of RMB161,305,000 and RMB229,253,000 (Note 13) and restricted cash of RMB303,618,000 and RMB112,617,000 (Note 16), respectively, that are expected to readily generate cash inflows for managing liquidity risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining periods at 31 December 2014 and 2013 to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Above 5 years RMB'000
At 31 December 2014				
Borrowings and interest payable	529,403	178,979	170,121	27,479
Trade and other payables	187,016	15	–	–
	716,419	178,994	170,121	27,479
At 31 December 2013				
Borrowings and interest payable	335,789	51,594	20,307	–
Trade and other payables	246,132	–	–	–
	581,921	51,594	20,307	–

(d) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its borrowings, restricted cash and bank deposits.

Borrowings at floating rates expose the Group to cash flow interest-rate risk. As at 31 December 2014 and 2013, approximately RMB691,507,000 and RMB305,735,000 of the Group's borrowings were at variable rates, respectively.

The interest rates and maturities of the Group's borrowings, bank balances and restricted cash are disclosed in Notes 19, 15 and 16 respectively.

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The details of the Group's exposure to changes in interest rates attributable to its borrowings have been disclosed in Note 19. Borrowings carried at floating rates expose the Group to cash flow interest-rate risk whereas those carried at fixed rates expose the Group to fair value interest-rate risk.

At 31 December 2014 and 2013, if the interest rates on bank borrowings, deposits and bank balances had been 50 basis points higher/lower than the prevailing rate announced by People's Bank of China, with all other variables held constant, profit for the year would have been RMB1,136,000 higher/lower and RMB2,528,000 higher/lower, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's strategy remains consistent throughout the year.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated at net debt divided by total capital. Net debt is calculated as total borrowings as shown in the consolidated balance sheet, less cash and cash equivalents. Total capital is calculated as total equity as shown in the consolidated balance sheet plus net debt. The Group aims to maintain the gearing ratio at a level of not more than 65%.

The gearing ratios at 31 December 2014 and 2013 were as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Bank borrowings (Note 19)	854,827	391,075
Less: cash and cash equivalents (Note 15)	(725,234)	(784,153)
Restricted cash in association of the borrowings (Note 16)	(171,400)	(62,100)
Net credit	(41,807)	(455,178)
Total equity	2,006,858	1,860,090
Total capital	1,965,051	1,404,912
Gearing ratio	N/A	N/A

3.3 Fair value estimation

As at 31 December 2014 and 2013, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the financial information are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Depreciation

The Group's management determines the estimated useful lives and related deprecation charges for the property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation charge where useful lives are different to previously estimated, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of receivables

Provision for impairment of receivables is determined based on the evaluation of collectability of receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the past collection history of each customer and the current market condition.

(c) Taxation

The Group's subsidiary that operates in the PRC is subject to enterprise income tax in the PRC. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

5 SEGMENT INFORMATION

The Group is principally engaged in the chemical products business in the PRC. Separate individual financial information of the three business units 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 "Operating 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 overseas, no single customer accounted for more than 10% of the Group's total revenues for the year ended 2014 and 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 statements.

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 year ended 31 December 2014 and as at 31 December 2013 is as follows:

	Year ended 31 December 2014			
	Bleaching and disinfectant chemicals RMB'000	Forming agent RMB'000	Other specialty chemicals RMB'000	Total RMB'000
Segment revenue	591,255	424,339	222,163	1,237,757
Inter-segment revenue	–	–	–	–
Revenue from external customers	591,255	424,339	222,163	1,237,757
Gross profit	195,165	92,036	83,327	370,528
Unallocated				
Depreciation and amortisation				99,212
Finance income				3,934
Finance expense				(43,106)
Income tax expense				(60,548)
Total assets				3,068,171
Total liabilities				1,061,313

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION *(Continued)*

	Year ended 31 December 2013			
	Bleaching and disinfectant chemicals RMB'000	Forming agent RMB'000	Other specialty chemicals RMB'000	Total RMB'000
Segment revenue	669,280	586,841	253,901	1,510,022
Inter-segment revenue	–	–	–	–
Revenue from external customers	669,280	586,841	253,901	1,510,022
Gross profit	232,062	144,713	89,811	466,586
Unallocated				
Depreciation and amortisation				94,443
Finance income				3,512
Finance expenses				(28,004)
Income tax expense				(85,102)
Total assets				2,537,446
Total liabilities				677,356

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

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

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

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Revenue		
Mainland China	1,058,957	1,313,329
Overseas	178,800	196,693
	1,237,757	1,510,022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 LAND USE RIGHTS

	Group	
	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Cost	88,206	88,206
Accumulated amortisation	(16,167)	(14,403)
Net book value	72,039	73,803
Representing:		
Opening net book amount	73,803	75,567
Amortisation (Note 22)	(1,764)	(1,764)
Closing net book amount	72,039	73,803

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 RMB28,655,000 and RMB34,798,000 as at 31 December 2014 and 2013, respectively, were secured for bank borrowings (Note 19).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2013						
Opening net book amount	386,222	607,685	5,168	4,518	60,645	1,064,238
Additions	–	21,944	793	2,178	170,467	195,382
Transfer upon completion	49,255	181,857	–	–	(231,112)	–
Disposals	(449)	(1,443)	–	(5)	–	(1,897)
Depreciation (Note 22)	(16,259)	(73,575)	(997)	(1,454)	–	(92,285)
Closing net book amount	418,769	736,468	4,964	5,237	–	1,165,438
At 31 December 2013						
Cost	572,272	1,124,191	10,054	10,721	–	1,717,238
Accumulated depreciation and impairment	(153,503)	(387,723)	(5,090)	(5,484)	–	(551,800)
Net book amount	418,769	736,468	4,964	5,237	–	1,165,438
Year ended 31 December 2014						
Opening net book amount	418,769	736,468	4,964	5,237	–	1,165,438
Additions	–	94,636	1,184	237	49,638	145,695
Transfer upon completion	11,654	14,073	–	–	(25,727)	–
Disposals	(1,250)	(752)	(120)	(11)	–	(2,133)
Depreciation (Note 22)	(16,972)	(77,570)	(1,020)	(1,492)	–	(97,054)
Closing net book amount	412,201	766,855	5,008	3,971	23,911	1,211,946
At 31 December 2014						
Cost	582,676	1,232,148	11,118	10,947	23,911	1,860,800
Accumulated depreciation and impairment	(170,475)	(465,293)	(6,110)	(6,976)	–	(648,854)
Net book amount	412,201	766,855	5,008	3,971	23,911	1,211,946

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Cost of sales	89,305	84,990
Selling and marketing expenses	107	107
Administrative expenses	7,642	7,188
	97,054	92,285

(b) Lease rentals expenses amounting to RMB1,437,000 (2013: RMB1,518,000) relating to the lease of property is included in the consolidated statement of comprehensive income (Note 22).

(c) During the year, the Group has capitalised borrowing costs amounting to RMB602,000 (2013: RMB2,305,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 5.86% (2013: 6.45%) (Note 27).

(d) As at 31 December 2014 and 2013, certain buildings and machinery with an aggregate carrying value of RMB486,908,000 and RMB154,509,000, respectively, were secured for bank borrowings (Note 19).

(e) Construction work in progress as at 31 December 2014 mainly comprises Fine Foaming Agent Technical Improvement Project being constructed in Mainland China.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 INTANGIBLE ASSETS

Intangible assets represent patents and details are as follows:

	Group Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Year ended 31 December		
Opening net book amount	4,105	4,499
Amortisation (Note 22)	(394)	(394)
Closing net book amount	3,711	4,105
At 31 December		
Cost	4,717	4,717
Accumulated amortisation	(1,006)	(612)
Net book amount	3,711	4,105

Amortisation of intangible assets has been charged to administrative expenses in the consolidated statement of comprehensive income.

9 LONG-TERM INVESTMENTS

(a) Investments in subsidiaries

	Company As at 31 December	
	2014	2013
	RMB'000	RMB'000
Investments in unlisted shares, at cost	1,449,426	1,449,426

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 LONG-TERM INVESTMENTS *(Continued)*

(a) Investments in subsidiaries *(Continued)*

As at 31 December 2014, the Company has direct and indirect interests in the following subsidiaries:

Name of Company	Country/place and date of incorporation	Principal activities	Issued and fully paid capital/ registered capital	Effective interest held
Directly owned				
Yihua Sub-Holding Alpha (BVI) Limited	BVI/3 December 2010	Investment holding	USD1	100%
Yihua Sub-Holding Beta (BVI) Limited	BVI/3 December 2010	Investment holding	USD1	100%
Indirectly owned				
Longpower Corporation Limited	HK/3 December 2009	Investment holding	HKD1	100%
Sun Champ Group Holdings Limited	HK/18 March 2010	Investment holding	HKD1	100%
Fujian Rongchang Chemical Co., Ltd.	PRC/27 February 1997	Manufacturing and sale of chemical products	RMB313,851,800	100%
Fujian Rongping Chemical Co., Ltd.	PRC/26 December 2002	Manufacturing and sale of chemical products	RMB254,500,000	100%
Fuzhou Yihua Chemical Stock Co., Ltd.	PRC/7 June 2003	Manufacturing and sale of chemical products	RMB240,000,000	100%
Fujian Jinrong Technical Co., Ltd.	PRC/14 August 2013	Manufacturing and sale of chemical products	RMB100,000,000	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 LONG-TERM INVESTMENTS *(Continued)*

(b) Investments accounted for using the equity method

	Year ended 31 December 2014 RMB'000	2013 RMB' 000
Share of net assets, as at 1 January	–	–
Additions	110,000	2,973
Share of profit/(loss) of investments accounted for using the equity method	2,704	(2,973)
Share of net assets, as at 31 December	112,704	–

Details of associates as at the dates of acquisitions are as follow:

Name of entity	Fair value on acquisition date RMB'000	Effective equity interest held by the Group	The Group's attributable share of the provisional fair value of the associate RMB'000	Consideration RMB'000	Bargain purchase RMB'000
Sichuan Minjiang Snow Salt Chemical Industry Co., Ltd.	9,910	30%	2,973	–	2,973

On 12 April 2013, the Group acquired 30% of ownership interest 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.

Name of entity	Provisional fair value on acquisition date RMB'000	Effective equity interest held by the Group	The Group's attributable share of the provisional fair value of the associate RMB'000	Consideration RMB'000	Bargain purchase RMB'000
Jiangxi Zhengge Investment Stock Co., Ltd.	177,000	45%	80,000	80,000	–
Fujian Nanping Rongxin Trading Co., Ltd.	75,000	40%	30,000	30,000	–

On 1 December 2014, the Group acquired 45% of ownership interest in Jiangxi Zhengge Investment Stock Co., Ltd. ("Jiangxi Zhengge") at the consideration of RMB80,000,000. As a result, Jiangxi Zhengge became an associate of the Company.

On 10 December 2014, the Group acquired 40% of ownership interest in Fujian Nanping Rongxin Trading Co., Ltd. ("Rongxin Trading") at the consideration of RMB30,000,000. As a result, Rongxin Trading became an associate of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 LONG-TERM INVESTMENTS *(Continued)*

(b) Investments accounted for using the equity method *(Continued)*

As at 31 December 2014, the fair value assessment for the purchase price allocations under IFRS 3 for 45% of ownership interest in Jiangxi Zhengge and 40% of ownership interest in Rongxin Trading has not been completed. The Group reported in 2014 the provisional amounts for the assets and liabilities for which the evaluation has not been completed. During the measurement period (not exceeding one year from the acquisition date), the Group will retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised in 2014.

Set out below are the associates of the Group as at 31 December 2014, which, in the opinion of the directors, are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Nature of investment in associates as at 31 December 2014 and 2013:

Name of entity	Place of business and country of incorporation	% of ownership interest	Nature of relationship	Measurement method
Sichuan Minjiang Snow Salt Chemical Industry Co., Ltd.	PRC	30	Note 1	Equity
Jiangxi Zhengge Investment Stock Co., Ltd.	PRC	45	Note 2	Equity
Fujian Nanping Rongxin Trading Co., Ltd.	PRC	40	Note 3	Equity

Note 1: Minjiang Snow is a Chinese sodium chlorate production base as well as through mutually-beneficial collaboration with Chengdu Huaxi Hope Group Co., Ltd., the Group fortified its market share and regional deployment in the industry, which focuses on sodium chlorate and other specialty chemicals, thereby improving its result performance in the future.

Note 2: Jiangxi Zhengge manufactures water-treatment chemicals, and its main products include sodium chlorate and hydrogen peroxide. The business of the company operates mainly in Jiangxi, Guangdong and Hunan provinces.

Note 3: Rongxin Trading is a chemical products trading company and keeps a long-term business relation to the Group. The main products it trades include caustic soda, hydrogen peroxide, biurea, urea, industrial salt and AC foaming agent, which are main raw materials and output products of the Group.

Minjiang Snow, Jiangxi Zhengge and Rongxin Trading are private companies and there is no quoted market price available for their shares.

There are no contingent liabilities relating to the Group's interests in the associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 LONG-TERM INVESTMENTS *(Continued)*

(b) Investments accounted for using the equity method *(Continued)*

Summarised financial information for associates

Set out below are the summarised financial information for Mingjiang Snow, Jiangxi Zhengge and Rongxin Trading, which are accounted for using equity method.

Summarised balance sheet

	Minjiang Snow		Jiangxi Zhengge	Rongxin Trading	Total	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2014 RMB'000	2014 RMB'000	2013 RMB'000
Current						
Cash and cash equivalents	1,120	183,962	921	24,764	26,805	183,962
Other current assets (excluding cash)	120,452	44,001	156,007	83,080	359,539	44,001
Total current assets	121,572	227,963	156,928	107,844	386,344	227,963
Financial liabilities (excluding trade payables)	(675,328)	(773,173)	(326,839)	(36,948)	(1,039,115)	(773,173)
Total current liabilities	(675,328)	(773,173)	(326,839)	(36,948)	(1,039,115)	(773,173)
Non-current						
Assets	355,285	344,306	442,306	4,137	801,728	344,306
Financial liabilities	–	(8,000)	(85,000)	–	(85,000)	(8,000)
Other liabilities	(11)	(13)	(3,637)	–	(3,648)	(13)
Total non-current liabilities	(11)	(8,013)	(88,637)	–	(88,648)	(8,013)
Net assets	(198,482)	(208,917)	183,758	75,033	60,309	(208,917)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 LONG-TERM INVESTMENTS *(Continued)*

(b) Investments accounted for using the equity method *(Continued)*

Summarised statement of comprehensive income

	Minjiang Snow		Jiangxi Zhengge	Rongxin Trading	Total	
	2014	For the eight months ended 31 December 2013	For the one month ended 31 December 2014		2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	229,124	108,841	31,548	10,101	270,773	108,841
Cost of sales	(169,582)	(105,872)	(21,637)	(9,861)	(201,080)	(105,872)
Selling and marketing expense	(29,222)	(13,623)	(86)	(25)	(29,333)	(13,623)
Administrative expenses	(15,679)	(7,164)	(30)	(93)	(15,802)	(7,164)
Finance expenses-net	(24,447)	(23,770)	(143)	(2)	(24,592)	(23,770)
Profit or loss from continuing operations	1,545	(22,914)	2,691	17	4,253	(22,914)
Net profits/(losses)	1,504	(22,935)	2,691	13	4,208	(22,935)

The Group's share of losses in Minjing Snow in 2014 was only up to the investment amount as the Group has no obligations to make payment on behalf of this associate.

The information above reflects the amounts presented in financial statements of the associates (and not China First Chemical Holding Limited's share of those amounts) adjusted for differences in accounting policies between the group and the associates.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associates.

	Minjiang Snow		Jiangxi Zhengge	Rongxin Trading	Total	
Summarised financial information	2014	For the eight months ended 31 December 2013	For the one month ended 31 December 2014		2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening net assets	(208,917)	(185,982)	78,567	45,020	(85,330)	(185,982)
(Loss)/profit for the period	1,504	(22,935)	2,691	13	4,208	(22,935)
Proceeds from equity investments	–	–	102,500	30,000	132,500	–
Disposal of minority interests	8,931	–	–	–	8,931	–
Closing net assets	(198,482)	(208,917)	183,758	75,033	60,309	(208,917)
Interest in associates (30%; 45%; 40%)	–	–	82,691	30,013	112,704	–
Carrying value	–	–	82,691	30,013	112,704	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantively enacted by the balance sheet date.

The movement in the deferred income tax assets and liabilities are as follows:

	Employee benefit obligation RMB'000	Bargain purchase RMB'000	Share of (profit)/loss of associates RMB'000	Impairment losses RMB'000	Total RMB'000
Deferred income tax assets					
At 1 January 2013	523	–	–	–	523
(Charged)/credited to the consolidated statement of comprehensive income	(41)	–	743	200	902
At 31 December 2013	482	–	743	200	1,425
At 1 January 2014	482	–	743	200	1,425
(Charged)/credited to the consolidated statement of comprehensive income	(38)	–	(673)	200	(511)
At 31 December 2014	444	–	70	400	914
Deferred income tax liabilities					
At 1 January 2013	–	–	–	–	–
Charged to the consolidated statement of comprehensive income	–	(743)	–	–	(743)
At 31 December 2013	–	(743)	–	–	(743)
At 1 January 2014	–	(743)	–	–	(743)
Charged to the consolidated statement of comprehensive income	–	–	–	–	–
At 31 December 2014	–	(743)	–	–	(743)

Deferred income tax asset is expected to be recovered within 12 months after the balance sheet date.

Deferred income tax liabilities of RMB15,764,000 (2013: RMB13,738,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of PRC subsidiaries. Such amounts are expected to permanently reinvest in these subsidiaries. Unremitted earnings of these subsidiaries amounting to RMB1,261,157,000 at 31 December 2014 (2013: RMB1,099,000,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 OTHER NON-CURRENT ASSETS

	Group Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Prepayment for acquisition of additional equity interests in an associate (a)	125,000	–
Prepayment of property, plant and equipment	83,230	–
	208,230	–

(a) In December 2014, the Group entered into a share purchase agreement with Chengdu Huaxi Hope Group Co., Ltd. in relation to a proposed acquisition of 70% equity interests in Minjiang Snow (a 30% owned associate of the Group as at 31 December 2014). As at 31 December, accounting to the agreement, the Group has prepaid RMB125,00,000 for the proposed acquisition.

12 INVENTORIES

	Group As at 31 December	
	2014 RMB'000	2013 RMB'000
Raw materials	14,584	18,600
Work in progress	134,715	126,119
Finished goods	17,180	11,282
	166,479	156,001

The cost of inventories recognised as expense and included in cost of sales for the years ended 31 December 2014 and 2013 amounted to RMB448,768,000 and RMB623,290,000 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 TRADE AND OTHER RECEIVABLES

	Group As at 31 December	
	2014	2013
	RMB'000	RMB'000
Trade receivables (a)	161,305	229,253
Due from third parties	162,903	230,052
Less: Provision for impairment of receivables	(1,598)	(799)
Prepayments (b)		
Prepayments for purchase goods from related parties (Note 35(d))	25,343	2,000
Prepayments for purchase goods from third parties	1,633	2,000
Value added tax input credits	11,700	6,000
Other receivables (c)		
Due from third parties	2,222	651
Due from related parties (Note 35(d))	61,093	–
	263,296	239,904

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 customers and overseas customers. There is no concentration of credit risk with respect to trade receivables. As at 31 December 2014 and 2013, the ageing analysis of the trade receivables is set as follows:

	Group As at 31 December	
	2014	2013
	RMB'000	RMB'000
Within 3 months	161,305	228,409
Between 4 and 6 months	–	45
Between 7 and 12 months	–	–
Between 1 and 2 years	–	1,598
Above 2 years	1,598	–
	162,903	230,052

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) *(Continued)*

As of 31 December 2014 and 2013, trade receivables of RMBNil (2013: RMB45,000) were past due but not impaired. These relate to a number of independent customers, for whom there is no significant financial difficulty and based on past experiences, the overdue can be recovered. The ageing analysis of these past due but not impaired receivables is as follows:

	Group	
	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Between 4 and 6 months	–	45

As of 31 December 2014, trade receivables of RMB1,598,000 (2013: RMB799,000) were impaired. The amount of the provision was RMB1,598,000 as of 31 December 2014 (2013: RMB799,000). The individually impaired receivables mainly relate to one customer, which is in unexpectedly difficult economic situation. It was assessed that the receivables is not expected to be recovered. The ageing of this receivable is as follows:

	Group	
	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Between 1 and 2 years	–	1,598
Above 2 years	1,598	–

The creation of provisions for impaired receivables has been included in "administrative expenses" in the consolidated statement of comprehensive income (Note 22).

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Prepayments

	Group As at 31 December 2014 RMB'000	2013 RMB'000
Prepayments for raw materials	26,976	4,000
Value added tax input credits	11,700	6,000
	38,676	10,000

(c) Other receivables

	Group As at 31 December 2014 RMB'000	2013 RMB'000
Advance to employees	13	20
Loans to related parties (Note 35(d))	61,093	–
Others	2,209	631
	63,315	651

(d) The carrying amounts of trade receivables and other receivables are denominated in the following currencies:

	Group As at 31 December 2014 RMB'000	2013 RMB'000
RMB	207,283	222,745
USD	15,759	7,159
HKD	1,578	–
	224,620	229,904

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 OTHER RECEIVABLES

	Company	
	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Due from subsidiaries	365,705	393,838

As at 31 December 2014 and 2013, all the balances due from subsidiaries were non-interest bearing and will not be collected within one year. The fair value of the balance of due from subsidiaries is approximately equal to its carrying amount.

(a) The carrying amounts of the Company's receivables due from subsidiaries are denominated in the following currencies:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
— RMB	103,083	102,640
— HKD	221,953	221,193
— USD	40,669	70,035
	365,705	393,868

15 CASH AND CASH EQUIVALENTS

	Group		Company	
	As at 31 December			
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash in hand	74	80	–	–
Bank deposits	725,160	784,073	97	114
	725,234	784,153	97	114

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 CASH AND CASH EQUIVALENTS *(Continued)*

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	As at 31 December			
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
— RMB	**711,508**	748,913	**1**	6
— HKD	**5,578**	256	**–**	51
— USD	**8,148**	34,984	**96**	57
	725,234	784,153	**97**	114

Bank balances earn interest at floating rates based on daily bank deposit rates. The conversion of RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

16 RESTRICTED CASH

	Group	
	As at 31 December	
	2014	2013
	RMB'000	RMB'000
For borrowing (a)	**171,400**	62,100
For bills payable (b)	**132,218**	50,517
	303,618	112,617

(a) As at 31 December 2014, RMB171,400,000 (2013: RMB62,100,000) were restricted deposits held at bank for serving loans.

(b) As at 31 December 2014 and 2013, RMB132,218,000 and RMB50,517,000 of restricted cash were secured for issuing of bills to its suppliers amounting to RMB108,780,000 and RMB127,660,000 respectively (Note 21(b)).

(c) All of the restricted cash is denominated in RMB and earns interest at floating rates based on daily bank deposit rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 SHARE CAPITAL

	As at 31 December 2014 and 31 December 2013	
	Number of ordinary shares	Nominal value of ordinary shares HKD'000
Authorised:		
Ordinary shares of HKD0.1 each	5,000,000,000	500,000

	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000
Issued and fully paid:			
As at 31 December 2013 and 2014	802,191,000	80,219	65,346

18 RESERVES AND RETAINED EARNINGS

Group

	Note	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Share-based payment reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000
Balance at 1 January 2013		317,328	330,392	126,765	2,548	789,743	1,566,776
Profit for the year		–	–	–	–	250,257	250,257
Profit appropriations to statutory reserves	(a)	–	–	25,356	–	(25,356)	–
Share-based payment expense	33(a)	–	–	–	2,403	–	2,403
Dividends distribution	30	–	(24,692)	–	–	–	(24,692)
Balance at 31 December 2013		317,328	305,700	152,121	4,951	1,014,644	1,794,744
Balance at 1 January 2014		317,328	305,700	152,121	4,951	1,014,644	1,794,744
Profit for the year		–	–	–	–	170,754	170,754
Profit appropriations to statutory reserves	(a)	–	–	17,791	–	(17,791)	–
Share-based payment expense	33(a)	–	–	–	870	–	870
Dividends distribution	30	–	(24,856)	–	–	–	(24,856)
Balance at 31 December 2014		317,328	280,844	169,912	5,821	1,167,607	1,941,512

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 RESERVES AND RETAINED EARNINGS *(Continued)*

(a) Statutory surplus reserve

Under the relevant PRC laws and regulations, PRC companies are required to appropriate 10% of their respective net profits according to their statutory financial statements to statutory surplus reserve until such reserve reached 50% of the companies registered capital. The statutory surplus reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provide that such reserve is maintained at a minimum of 25% of the companies registered capital.

Company

	Note	Share premium RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Accumulated Losses RMB'000	Sub-total RMB'000
Balance at 1 January 2013		317,328	1,517,687	2,548	(20,606)	1,816,957
Losses for the year		–	–	–	(16,636)	(16,636)
Share-based payment expense	33(a)	–	–	2,403	–	2,403
Dividends distribution	30	–	(24,692)	–	–	(24,692)
Balance at 31 December 2013		317,328	1,492,995	4,951	(37,242)	1,778,032
Balance at 1 January 2014		317,328	1,492,995	4,951	(37,242)	1,778,032
Losses for the year		–	–	–	(4,164)	(4,164)
Share-based payment expense	33(a)	–	–	870	–	870
Dividends distribution	30	–	(24,856)	–	–	(24,856)
Balance at 31 December 2014		317,328	1,468,139	5,821	(41,406)	1,749,882

19 BORROWINGS

	Group As at 31 December 2014 RMB'000	2013 RMB'000
Non-current		
Bank borrowings	347,253	68,078
Current		
Current portion of long-term bank borrowings	127,011	47,845
Short-term bank borrowings	380,563	275,152
	507,574	322,997
Total borrowings	854,827	391,075

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 BORROWINGS *(Continued)*

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

	As at 31 December 2014 RMB'000	2013 RMB'000
Group's assets		
Buildings and land use rights (Note 6, Note 7(c))	254,124	30,000
— Non-current bank borrowings	152,404	–
— Current portion of long-term bank borrowings	23,720	–
— Short-term bank borrowings	78,000	30,000
Restricted cash (Note 16)	173,487	57,873
— Non-current bank borrowings	76,543	24,388
— Current portion of long-term bank borrowings	44,138	–
— Short-term bank borrowings	52,806	33,485
	427,611	87,873

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

	As at 31 December 2014 RMB'000	2013 RMB'000
Corporate guarantee provided by subsidiaries of the Group		
— Non-current bank borrowings	118,306	43,690
— Current portion of long-term bank borrowings	59,153	47,845
— Short-term bank borrowings	249,757	211,667
	427,216	303,202

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

	As at 31 December 2014 RMB'000	2013 RMB'000
Within 1 year	507,574	322,997
Between 1 and 2 years	162,129	48,108
Between 2 and 5 years	158,526	19,970
Over 5 years	26,598	–
	854,827	391,075

19 BORROWINGS *(Continued)*

(d) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet date was as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Bank borrowings		
— fixed rates	**163,320**	85,340
— floating rates	**691,507**	305,735
	854,827	391,075

The weighted average effective interest rates (per annum) at the balance sheet date are set out as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Bank borrowings	**5.62%**	5.87%

The carrying amount for the current borrowings approximated their fair values because of their short-term maturities. The carrying amount for non-current borrowings approximated their fair values because of the floating interest rates they carried.

(e) The Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
— RMB	**216,010**	231,320
— HKD	**11,837**	23,733
— USD	**626,980**	136,022
	854,827	391,075

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Undrawn borrowing facilities	**760,278**	742,724

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 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.

	Group Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Opening net book amount	14,006	15,508
Amortisation	(1,502)	(1,502)
Closing net book amount	12,504	14,006
At end of year		
Cost	17,730	17,730
Accumulated amortisation	(5,226)	(3,724)
Net book amount	12,504	14,006

21 TRADE AND OTHER PAYABLES

	Group As at 31 December	
	2014 RMB'000	2013 RMB'000
Trade payables (a)		
Due to third parties	22,820	51,047
Bills payable (b) (Note 16)		
Due to related parties (Note 35(d))	–	1,500
Due to third parties	108,780	126,160
Other payables and accrual (c)		
Due to third parties	55,768	67,428
	187,368	246,135

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 TRADE AND OTHER PAYABLES *(Continued)*

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

	Group As at 31 December 2014 RMB'000	2013 RMB'000
Within 3 months	22,805	51,032
Between 4 and 6 months	–	15
Between 1 and 2 years	15	–
	22,820	51,047

(b) As at 31 December 2014 and 2013, the entire balances of bills payable were secured by restricted cash of RMB132,218,000 and RMB50,517,000 respectively (Note 16).

(c) Details of other payables are as follows:

	Group As at 31 December 2014 RMB'000	2013 RMB'000
Advance from customers	337	3
Payable for property, plant and equipment purchases	21,633	10,409
Freight charges	6,360	8,846
Water and electricity	3,103	23,397
Salary and welfare payable	8,552	8,625
Taxes	2,591	11,651
Withholding payment	1,168	–
Auditor's remuneration	2,522	1,275
Interest payable	5,378	–
Others	4,124	3,222
	55,768	67,428

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 TRADE AND OTHER PAYABLES *(Continued)*

(d) The carrying amounts of the Group and Company's trade and other payables are denominated in the following currencies:

	Group As at 31 December	
	2014 RMB'000	2013 RMB'000
— RMB	183,175	246,132
— USD	3,812	–
— HKD	44	–
	187,031	246,132

22 EXPENSES BY NATURE

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Raw materials used and changes in inventories	448,768	623,290
Depreciation of property, plant and equipment (Note 7)	97,054	92,285
Electricity and other utility fees	272,791	283,845
Employee benefit expenses (Note 23)	67,211	67,836
Transportation and related charges	33,397	36,403
Tax and surcharges	10,771	9,028
Amortisation of land use rights (Note 6)	1,764	1,764
Amortisation of intangible assets (Note 8)	394	394
Office and entertainment expenses	10,058	10,982
Operating leases expenses (Note 7)	1,437	1,518
Property insurance fee	2,089	2,231
Travelling expenses	1,281	1,407
Repairs and maintenance	9,092	6,330
Auditor's remuneration	3,300	3,150
— Audit services	3,300	3,150
— Non-audit services	–	–
Research and development costs	1,358	1,361
Impairment loss for trade and other receivables (Note 13)	799	799
Other expenses	9,453	9,020
	971,017	1,151,643

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December 2014 RMB'000	2013 RMB'000
Wages, salaries and bonuses	50,571	48,529
Contributions to pension plan (a)	9,103	8,774
Welfare and other expenses	6,667	8,130
Pre-IPO option scheme expense (Note 33(a))	870	2,403
	67,211	67,836

(a) The employees of the Group participate in certain defined contribution pension plans organised by the relevant municipal and provincial government, under which the Group are required by the plan to contribute at a rate of 18% of the employee's basic salary, subject to certain caps, during the year.

(b) Directors' emoluments

The details of emoluments paid and payable to the directors for the year ended 31 December 2014 are set out below:

	Year ended 31 December 2014 RMB'000	2013 RMB'000
Salaries, wages and bonuses	2,689	2,350
Contributions to pension plan	46	52
Pre-IPO option scheme expenses	738	2,043
	3,473	4,445

The emoluments of each of the directors are set out as follows:

	Year ended 31 December 2014			
Name of director	Salaries, wages and bonuses RMB'000	Contributions to pension plan RMB'000	Pre- IPO option scheme expenses RMB'000	Total RMB'000
Mr. Liem Djiang Hwa	360	–	–	360
Mr. Chen Hong	767	23	217	1,007
Ms. Miao Fei	583	23	217	823
Mr. Lam Wai Wah	583	–	217	800
Dr. Chen Xiao*	132	–	43	175
Dr. Kou Huizhong*	132	–	22	154
Mr. Li Junfa*	132	–	22	154
Total	2,689	46	738	3,473

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(b) Directors' emoluments *(Continued)*

Name of director	Year ended 31 December 2013 Salaries, wages and bonuses RMB'000	Contributions to pension plan RMB'000	Pre-IPO option scheme expenses RMB'000	Total RMB'000
Mr. Liem Djiang Hwa	360	–	–	360
Mr. Chen Hong	600	28	601	1,229
Ms. Miao Fei	500	24	601	1,125
Mr. Lam Wai Wah	500	–	601	1,101
Dr. Chen Xiao*	130	–	120	250
Dr. Kou Huizhong*	130	–	60	190
Mr. Li Junfa*	130	–	60	190
Total	2,350	52	2,043	4,445

* represent the independent non-executive directors

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group are as follows:

	Year ended 31 December 2014 RMB'000	 2013 RMB'000
In the capacity as:		
Directors	2,990	3,809
Senior management	427	413

The five highest paid individuals include four directors during the year (2013: four), whose emoluments were reflected in the analysis presented above. Details of remuneration of the remaining highest paid individual is as follows:

	Year ended 31 December 2014 RMB'000	 2013 RMB'000
Salaries, wages and bonuses	400	388
Contributions to pension plan	27	25
	427	413

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(c) Five highest paid individuals *(Continued)*

The emoluments of the member of senior management fell within the following band:

	Number of individuals Year ended 31 December	
	2014	2013
Nil to HKD500,000	1	1

24 OTHER INCOME

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Subsidy income granted by government	2,183	3,369

25 OTHER LOSSES — NET

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Loss on disposals of property, plant and equipment	1,153	1,897

26 FINANCE INCOME

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Interest income from bank deposits	3,934	3,512

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 FINANCE EXPENSES

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Interest expenses:		
— Bank borrowings	40,551	24,285
— Discount interest for bill payables	2,400	8,880
— Other charges	3,155	2,669
	46,106	35,834
Less: Interest capitalised in property, plant and equipment	(602)	(2,305)
	45,504	33,529
Loss on forward foreign exchange contracts (a)	–	16,708
Net foreign exchange gains	(2,398)	(22,233)
	43,106	28,004

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Weighted average effective interest rates used to calculate capitalisation amount	5.86%	6.45%

(a) For the purpose of hedging foreign currency risk, the management entered into a forward foreign exchange contract (between RMB and JPY) for the loan denominated in Japanese Yen amounted to JPY950,000,000 at a pre-determined fixed rate with a bank in 2013. The Group executed forward exchange contract in September 2013 and the loss amounted to RMB16,708,000 was recorded in "finance expenses".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 INCOME TAX EXPENSE

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Current income tax		
— PRC enterprise income tax (a)	60,013	85,155
— Hong Kong profits tax (b)	24	106
Deferred tax (Note 10)	511	(159)
	60,548	85,102

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate of companies comprising the Group is set out as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Profit before income tax	231,302	335,359
Tax calculated at domestic tax rates applicable to profits in the respective countries	57,813	83,697
Expenses not deductible for tax purposes	3,411	2,470
Income not subject to taxation	(676)	(1,065)
	60,548	85,102

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.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2014.

29 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2014	2013
Profit attributable to equity holders of the Company (RMB'000)	170,754	250,257
Weighted average number of ordinary shares in issue (thousand)	802,191	802,191
Basic earnings per share (RMB yuan)	0.21	0.31

(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 year ended 31 December 2014 is lower than the exercise price of the pre-IPO share options, the pre-IPO share options are therefore not included in the diluted earnings per share calculation. The diluted earnings per share is the same as the basic earnings per share.

30 DIVIDEND

	For year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Proposed final dividend	17,075	25,026

The final dividend in respect of the year ended 31 December 2013 of HKD0.0390 per share, amounting to a total dividend of HKD31,302,000 (equivalent to RMB25,026,000) was paid in June 2014.

A dividend in respect of the year ended 31 December 2014 of HKD0.0268 (equivalent to RMB0.0213) per share, amounting to a total dividend of HKD21,529,000 (equivalent to RMB17,075,000) is to be proposed at the annual general meeting on 15 June 2015. The consolidated financial statements do not reflect this dividend payable.

31 LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB4,164,000 (2013: RMB16,636,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

Cash generated from operations

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Profit for the year	170,754	250,257
Adjustments for:		
— Income tax expenses (Note 28)	60,548	85,102
— Depreciation (Note 7)	97,054	92,285
— Amortisation of land use rights (Note 6)	1,764	1,764
— Amortisation of intangible assets (Note 8)	394	394
— Deferred income amortisation (Note 20)	(1,502)	(1,502)
— Finance income (Note 26)	(3,934)	(3,512)
— Finance expenses (Note 27)	43,106	28,004
— Loss on disposals of property, plant and equipment (Note 25)	1,153	1,897
— Share of loss of associates	(2,704)	–
— Pre-IPO Option Scheme expense (Note 33(a))	870	2,403
Changes in working capital:		
— Inventories	(10,478)	10,147
— Trade and other receivables	40,729	57,882
— Trade and other payables	(75,083)	(103,496)
Cash generated from operations	322,671	421,625

In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2014 RMB'000	2013 RMB'000
Net book amount (Note 7)	2,133	1,897
Loss on disposal of property, plant and equipment (Note 25)	(1,153)	(1,897)
Proceeds from disposal of property, plant and equipment	980	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 SHARE-BASED PAYMENT

(a) The Group adopted a pre-IPO share option scheme which was 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 were vested in three instalments at each of the first three anniversaries of the listing date and would 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 31 December 2014, 16,000,000 outstanding options had been vested but not exercised (As at 31 December 2013: 9,600,000).

The fair value of the options granted as determined using the black-scholes model was HKD9,843,000. The options have been divided into three batches according to different vesting periods.

The significant inputs to the model are summarised as below:

Stock price (HKD)	2.72
Exercise price (HKD)	2.70
Expected holding year	3
Risk-free rate per annum	0.41%
Volatility	32.02%
Expected dividend yield	–

The expected volatility is estimated by making reference to the volatility of the other companies with the similar background or nature of business as the Company.

Fair value of Pre-IPO options is charged to the consolidated statement of comprehensive income over the vesting period of the options. Total share option expense charged to the consolidated income statement during the year ended 31 December 2014 amounted to RMB870,000 (2013: RMB2,403,000).

(b) The Group adopted another share option scheme which was 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 option has been granted under the Share Option Scheme as at 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 COMMITMENTS

(a) Capital commitments

The Group has the following capital commitments not provided for in the consolidated financial statements:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Authorised and contracted but not provided for Property, plant and equipment	83,130	–

(b) Operating lease commitments

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
No later than 1 year	1,391	378
1–2 years	4,621	1,512

35 RELATED PARTIES 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) Sales of goods to related parties

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
— Associate	8,104	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 RELATED PARTIES TRANSACTIONS *(Continued)*

(b) Purchases of goods from related parties

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
— Associate	89,096	11,667

Prepayment in relation to purchase of goods

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
— Associate	25,343	2,000

(c) Loan to related parties

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
— Associate	61,093	–

The loan to the associate is unsecured, non-interest bearing and will be collected within one year from the date of borrowing.

(d) Year-end balances

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Due from related parties-other receivables		
— Associate (Note 13(c))	61,093	–
Prepayment to related parties		
— Associate (Note 13(b))	25,343	2,000
Due to related parties-bills payable		
— Associate	–	1,500

The payables to related parties arise mainly from purchase transactions and are due one year after the date of purchase. The payables bear no interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 RELATED PARTIES TRANSACTIONS *(Continued)*

(e) Key management compensation:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Salaries, wages and bonuses	5,074	3,590
Contributions to pension plan	248	176
Pre-IPO option scheme expenses	651	1,803
	5,973	5,569

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

36 SUBSEQUENT EVENTS

In December 2014, the Group entered into an acquisition agreement with Chengdu Huaxi Hope Group Co., Ltd. in relation to a proposed acquisition of 70% equity interest in Minjiang Snow (a 30% owned associate of the Group as at 31 December 2014). In January 2015, the Group obtained the ownership of the acquiree, and since then, Mingjiang Snow became a 100% owned subsidiary of the Group.

SIX-YEAR FINANCIAL SUMMARY

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Operating results						
Revenue	1,237,757	1,510,022	1,619,634	1,524,833	1,211,826	1,006,502
Gross profit	370,528	466,586	464,684	492,741	320,817	275,656
Operating profit	267,770	359,851	360,272	390,930	247,356	214,123
Finance costs – net	39,172	24,492	23,222	24,144	19,581	29,225
Profit before income tax	231,302	335,359	337,050	366,786	229,396	185,335
EBITDA	373,620	457,806	434,590	454,461	295,005	257,940
Profit and total comprehensive income for the year attributable to equity holders of the Company	170,754	250,257	249,712	268,169	169,051	134,413
Profit margin						
Gross profit margin	29.9%	30.9%	28.7%	32.3%	26.5%	27.4%
Operating profit margin	21.6%	23.8%	22.2%	25.6%	20.4%	21.3%
Net profit margin	13.8%	16.6%	15.4%	17.6%	13.9%	13.4%
EBITDA margin	30.2%	30.3%	26.8%	29.8%	24.3%	25.6%
Earnings per share						
Basic and diluted (RMB)	0.21	0.31	0.31	0.49	0.38	0.30
Assets and liabilities						
Total assets	3,068,171	2,537,446	2,447,920	2,259,800	1,595,950	1,283,894
Equity attributable to the equity holders of the Company	2,006,858	1,860,090	1,632,122	1,415,958	660,819	475,951
Total liabilities	1,061,313	677,356	815,798	833,440	927,084	801,522
Net asset value/total equity	2,006,858	1,860,090	1,632,122	1,426,360	668,866	482,372
Interest-bearing bank borrowings	854,827	391,075	418,107	478,646	387,850	468,212
Cash and cash equivalent	725,234	784,153	778,553	926,148	397,231	195,834
Quick ratio (X)	1.8	1.9	1.6	1.9	0.9	0.8
Current ratio (X)	2.1	2.2	1.8	2.1	1.1	0.9
Inventory turnover (days)	67	56	42	36	34	26
Trade receivables turnover (days)	57	58	66	70	75	64
Trade and notes payables turnover (days)	64	83	84	80	88	67
Net asset value per share (RMB)	2.50	2.32	2.03	2.62	1.49	1.07
Gearing ratio	N/A	N/A	N/A	N/A	24%	37%
Total interest-bearing bank borrowings to total equity	43%	21%	26%	34%	58%	97%

SIX-YEAR FINANCIAL SUMMARY

Notes:

(1) China First Chemical Holdings Limited (the "Company") was incorporated in the Cayman Islands on 24 November 2010 as an exempted company with limited liability. Pursuant to a group reorganisation that was completed on 14 June 2011 (the "Reorganisation"), the Company became the holding company of the subsidiaries now comprising the Group. Please refer to the prospectus of the Company dated 29 November 2011 for the details of the Reorganisation.

The Group resulting from the Reorganisation is regarded as a continuing entity under common control of the controlling shareholders. Accordingly, the financial information as contained in this section of the Annual Report had been prepared on the merger basis as if the Company had been the holding company of those companies comprising the Group for each of the relevant years, rather than from 14 June 2011. Accordingly, the results of the Group for the financial year ended 31 December 2008 include the results of the Company and its subsidiaries with effect from 1 January 2008 or since their respective dates of incorporation/establishment or from the effective dates of acquisition, whichever is the shorter period.

(2) The weighted average number of ordinary shares used in the calculation of earnings per share as stated in the table above for the years ended 31 December 2009 and 2010 was 450,000,000 shares,for the year ended 31 December 2011 was 544,247,000 shares, for the year ended 31 December 2012 was 802,167,000, and for the years ended 31 December 2013 and 2014 was 802,191,000.

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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PLACE OF BUSINESS IN HONG KONG

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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

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

AUDITOR

PricewaterhouseCoopers
22/F, Prince's Building,
Central, Hong Kong

PRINCIPAL BANKERS

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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
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Fujian Province
PRC