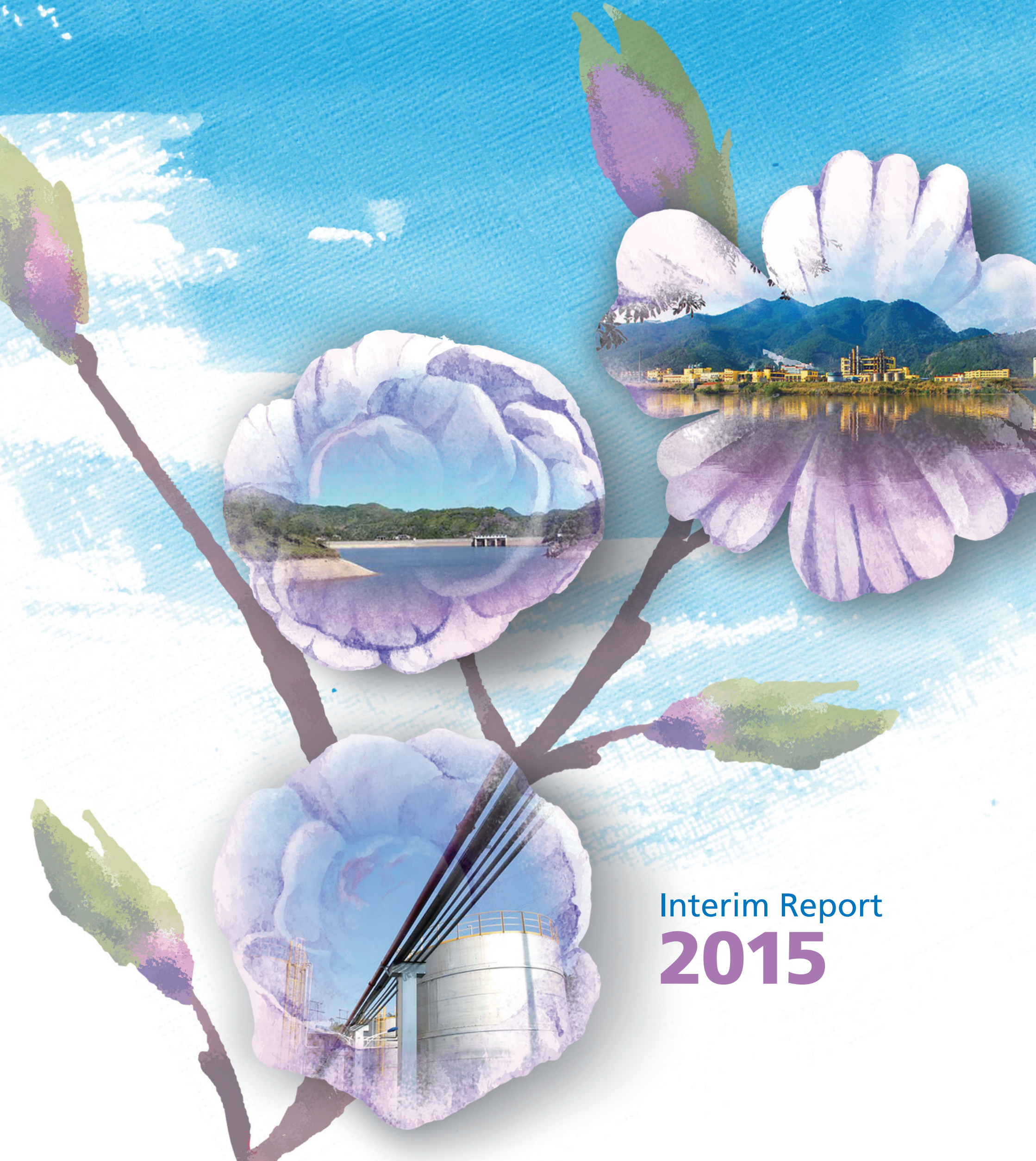
CHINA FIRST CHEMICAL HOLDINGS LIMITED

一化控股(中國)有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 2121



Interim Report 2015

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FINANCIAL HIGHLIGHTS

Financial Highlights (in RMB'000, unless otherwise stated)	For the six months ended 30 June 2015 (unaudited)	2014 (unaudited)	Growth %
Revenue	**884,859**	690,232	28.2%
Gross profit	**171,243**	231,346	(26.0)%
Profit attributable to equity holders of the Company	**65,482**	124,098	(47.2)%
Earnings per share			
— Basic (RMB)	**0.08**	0.15	(47.2)%
— Diluted (RMB)	**0.08**	0.15	(47.2)%
EBITDA	**185,564**	232,786	(20.3)%
Selected financial ratios			
Gross profit margin (%)	**19.4%**	33.5%	(42.4)%
Net profit margin (%)	**7.4%**	18.0%	(58.9)%
EBITDA margin (%)	**21.0%**	33.7%	(37.7)%
Total interest-bearing bank borrowing to total equity (%)	**59.8%**	32.0%	86.9%

	As at 30 June 2015 (unaudited)	31 December 2014 (audited)	Charge
Total equity	**2,055,375**	2,006,858	2.4%
Net asset per share (RMB)	**2.56**	2.50	2.4%

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the revenue of the Group was approximately RMB884.9 million, representing an increase of approximately 28.2% from the revenue of approximately RMB690.2 million for the corresponding period of 2014. The gross profit decreased by 26.0% to approximately RMB171.2 million from the same period of 2014. During the six months ended 30 June 2015, the net profit attributable to the equity holders of the Company and the basic earnings per share were approximately RMB 65.5 million and approximately RMB0.08, respectively, representing a decrease of approximately 47.2% and a decrease of approximately 47.2% as compared with the corresponding period.

BUSINESS REVIEW

In February 2015, the Company successfully acquired 70% equity of Sichuan Minjiang Snow Salt Chemical Industry Co., Ltd. ("Minjiang Snow"), which is now a wholly-owned subsidiary of the Company. Upon the completion of the Acquisition, the Group substantially strengthened its geographical distributions in the industry of eco-friendly bleaching and disinfectant chemicals, and thus consolidating the Group's leading position as a supplier of eco-friendly water treatment chemicals in People's Republic of China ("PRC").

During the first half of 2015, the sales revenue of eco-friendly bleaching and disinfectant chemicals amounted to RMB503.6 million, representing an increase of 52.3% as compared with sales revenue of RMB330.7 million in the first half of 2014. The percentage of revenue attributable to eco-friendly bleaching and disinfectant chemicals increased from 47.9% in the first half of 2014 to 56.9% in the first half of 2015. Revenue from sales of other chemicals was RMB381.2 million in the first half of 2015, representing an increase of 6.0% as compared against sales revenue of RMB359.5 million in the first half of 2014. The percentage of revenue attributable to other chemicals dropped from 52.1% in the first half of 2014 to 43.1% in the first half of 2015.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

During the period under review, despite the continued slow-down in economic growth and the conservative approach by downstream enterprises in production strategies amid economic restructuring in the PRC, the market demand saw sustained growth during the period under review, driving year-on-year growth of the sales revenues due to the outstanding characters of sodium chlorate and hydrogen peroxide and their applicability in urban wastewater treatment and industrial wastewater treatment. However, the selling prices for eco-friendly bleaching and disinfectant chemicals and other chemicals declined as compared to the corresponding period of last year, due to the structural problem in product offers in the domestic market. This led to a decrease of 47.2% in the net profit attributable to the equity holders of the Company as compared with the corresponding period of last year.

During the period of six months ended 30 June 2015, the net profit attributable to the equity holders of the Company was approximately RMB65.5 million, representing a decrease of approximately 47.2% as compared with the corresponding period of last year, but an increase of approximately 40.4% from the net profit attributable to the equity holders of the Company of approximately RMB46.7 million in the second half of 2014. The increase in the net profit attributable to the equity holders of the Company in the first half of 2015 as compared with the second half of 2014 was primarily attributed to (i) the successful acquisition of 70% equity of Minjiang Snow in February 2015, consolidating the Group's leading position as a supplier of eco-friendly water treatment chemicals in the PRC; (ii) the rebound in selling prices for sodium chlorate and hydrogen peroxide after hitting the bottom in the second half of 2014, due to their outstanding characters and applicability in urban wastewater treatment and industrial wastewater treatment.

In April 2015, the "Notice to Print and Distribute the Action Plan on Water Pollution Prevention and Control" by the State Council required paper manufacturers to endeavor to transform to adopt the ECF pulp bleaching process or other low pollution technologies by the end of 2017. The bleaching and disinfectant agents in the ECF pulp bleaching process are chlorine dioxide generated by sodium chlorate. The promotion and wide adoption of the ECF pulp bleaching technologies will certainly lead to a sharp increase in demand for sodium chlorate. Additionally, the Notice also required a full control over pollutant emission, vigorous prevention and administration over industrial pollution, intensive administration over water pollution in industrial clusters, acceleration of wastewater treatment facilities construction and reconstruction in urban areas, strengthened pollution control in ships and ports and adoption of ballast water exchange or ballast water sterilization treatment system. As the unleashing of the Chinese government's policies and the deepening of economic reform, the Group will usher in another opportunity for further development.

Future Prospect

In 2015, with China's macro economy in a new normal status, the Group will continue to grow in a challenging environment by leveraging on its market-leading position, strong research and development capacities and broad sales network.

The Chinese government's policies with regard to wastewater treatment, food safety and industrial technical update have become new drivers for the market demand for eco-friendly bleaching and disinfectant chemicals, such as sodium chlorate and hydrogen peroxide. After the improvement of administration policies on wastewater treatment industry, the industry will certainly take a turn to marketization and the wastewater treatment enterprises will be separated from administrative management and operated based on the characters of market economy, generating new sub-areas. Wastewater treatment in the rural area will become a heated industry, sludge resources in the emerging water affairs market will become a new route, the prospective breakthrough in sea water desalination technologies would vitalize the market and the attention paid to recycle water industry will accelerate its development. We expect an ascending trend in the demand for eco-friendly water treatment products and services in the PRC for the next five to ten years, and the Group will size up the situation, rely on the joint effort of the management team and our staff, seize the opportunities and continue our journey of realizing our vision to become a leading supplier for water treatment products and services in the PRC.

FINANCIAL REVIEW

Revenue

Revenue for the period under review was approximately RMB884.9 million, representing an increase of approximately RMB194.7 million or 28.2% from approximately RMB690.2 million for the corresponding period last year. The increase was mainly attributable to the increase in the sales of bleaching and disinfectant chemicals during the period.

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

	For the six months ended 30 June			
	2015		2014	
	Amount	% of Revenue	Amount	% of Revenue
Revenue (RMB'000)				
Bleaching and disinfectant chemicals	**503,649**	**56.9%**	330,710	47.9%
Other chemical products	**381,210**	**43.1%**	359,522	52.1%
Total	**884,859**	**100.0%**	690,232	100.0%

Bleaching and disinfectant chemicals

This segment mainly consists of sodium chlorate and hydrogen peroxide. Sodium chlorate and hydrogen peroxide are the principal chemicals used in the elemental chlorine free ("ECF") and total chlorine free ("TCF") pulp bleaching process by our downstream customers, respectively.

During the period under review, the total revenue for the bleaching and disinfectant chemicals was RMB503.6 million, representing an increase of approximately 52.3% or RMB172.9 million from the corresponding period last year. The increase in revenue was mainly attributable to expansion of sales after acquisition of Minjiang Snow during the period.

Other chemical products

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

During the period under review, the total revenue for the other chemical products was RMB381.2 million, representing an increase of approximately 6.0% or RMB21.7 million from the corresponding period last year. The increase was mainly attributable to expansion of sales of other chemical products during the period.

Cost of sales

Our cost of sales primarily consists of raw materials used and changes in inventories, electricity and other utility fees, depreciation of property, plant and equipment, employee benefit expenses, transportation and related charges, repairs and maintenance, taxes and levies on main operations, office and entertainment expenses, traveling expenses and other expenses. Raw materials used and changes in inventories, including foaming agent sourced from third parties, is the largest component of our cost of sales, representing 54.7% and 53.6% of our total cost of sales in the period ended 30 June 2015 and 2014, respectively.

During the period under review, our cost of sales increased by approximately RMB254.7 million or 35.7% to RMB713.6 million from RMB458.9 million in the corresponding period last year, which was primarily due to the increase in sales volume of sodium chlorate. The percentage for cost of sales to revenue was 80.6% and 66.5% for the six months ended 30 June 2015 and 2014, respectively, as a result of increased sale of sodium chlorate, the electricity and other utility fees of which was relatively higher.

Gross profit and gross margin

Our gross profit decreased by approximately RMB60.1 million or 26.0% to RMB171.2 million for the period under review from RMB231.3 million for the corresponding period last year. The overall gross margin decreased from 33.5% for the six months ended 30 June 2014 to 19.4% for the six months ended 30 June 2015, which was primarily due to (i) the decrease in average selling price of sodium chlorate, hydrogen peroxide, and foaming agent as a result of market condition; and (ii) 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 outperform that of other domestic enterprise.

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

Gross margin (%)	For the six months ended 30 June 2015	2014	Change
Bleaching and disinfectant chemicals	**19.1%**	36.7%	(48.0)%
Other chemical products	**19.6%**	30.6%	(35.9)%
Overall	**19.4%**	33.5%	(42.4)%

Bleaching and disinfectant chemicals

The gross margin of bleaching and disinfectant chemicals decreased from 36.7% for the six months ended 30 June 2014 to 19.1% for the six months ended 30 June 2015, which was primarily attributable to the decrease in average selling price of bleaching and disinfectant chemicals as a result of market condition.

Other chemical products

The gross margin of other chemical products decreased from 30.6% for the six months ended 30 June 2014 to 19.6% for the six months ended 30 June 2015, which was primarily attributable to the decrease in average selling price of other chemical products as a result of market condition.

Selling and marketing expenses

Selling and marketing expenses primarily consist of transportation and related charges for the transport of our products, sales taxes such as urban maintenance and construction tax, educational surtax, and other selling and marketing expenses including travelling expenses. The selling and marketing expenses of the Group increased by 63.3% to RMB32.5 million for the six months ended 30 June 2015 from RMB19.9 million for the six months ended 30 June 2014, which was primarily attributable to the expansion of sales by the Group resulting in higher selling expenses.

Administrative expenses

Administrative expenses primarily consist of depreciation of property, plant and equipment, employee benefit expenses and office and entertainment expenses. The administrative expenses of the Group increased by 32.1% to RMB41.2 million for the six months ended 30 June 2015 from RMB31.2 million for the six months ended 30 June 2014, which was primarily attributable to the expansion of operation by the Group.

Other income

Other income primarily consists of profit from sales of raw materials and government subsidies. The other income of the Group decreased to RMB0.8 million for the six months ended 30 June 2015 from RMB1.3 million for the six months ended 30 June 2014, which was primarily attributable to the decrease in the governmental subsidies.

Other losses, net

Other losses, net, mainly consists of the net gain or loss from the disposal of property, plant and equipment. The other losses, net, of the Group increased to RMB1.3 million for the six months ended 30 June 2015 from RMB0.2 million for the six months ended 30 June 2014, which was primarily attributable to increase in loss on disposals of property, plant and equipment.

Finance income

Finance income relates primarily to interest earned on our bank deposits and foreign exchange gains. The finance income of the Group increased by 361.8% to RMB8.6 million for the six months ended 30 June 2015 from RMB1.9 million for the six months ended 30 June 2014, which was primarily attributable to increase in interest income from bank deposits.

Finance costs

Finance costs primarily consist of interest expenses on bank borrowings, discount interest for bill receivables and other finance charges, less interest capitalized in property, plant and equipment and foreign exchange gains. The finance costs of the Group increased by 79.3% to RMB29.1 million for the six months ended 30 June 2015 from RMB16.2 million for the six months ended 30 June 2014, which was primarily attributable to increase in interest-bearing loans during the period.

Income tax expense

The Group is subject to PRC enterprise income tax rate of 25% for all our PRC subsidiaries. The income tax expense of the Group decreased by 51.8% to RMB20.8 million for the six months ended 30 June 2015 from RMB43.2 million for the six months ended 30 June 2014. The effective tax rate decreased to 24.1% for the six months ended 30 June 2015 from 25.8% for the six months ended 30 June 2014 as a result of adjustments for income and expenses items which were not assessable or deductible for income tax purpose.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Profit for the period

As a result of the foregoing factors, the profit attributable to the equity holders of the Company decreased by 47.2% to RMB65.5 million for the six months ended 30 June 2015 from RMB124.1 million for the six months ended 30 June 2014.

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 RMB468.8 million as at 30 June 2015 (31 December 2014: approximately RMB725.2 million), most of which were denominated in Renminbi. As at 30 June 2015, the interest bearing bank borrowings of the Group amounted to approximately RMB1,228.3 million (31 December 2014: approximately RMB854.8 million).

As at 30 June 2015, the Group's current ratio (calculated as current assets divided by current liabilities) was 1.06 (31 December 2014: 2.08). The Group was in a gearing ratio of 19.2% (31 December 2014: net cash position) as at 30 June 2015. The Group has sufficient and readily available finance resource for both general working capital purpose and foreseeable capital expenditure.

Working capital

Inventories were approximately RMB232.0 million in total as at 30 June 2015, as compared with approximately RMB161.7 million as at 30 June 2014. The increase was primarily due to acquisition of Minjiang Snow during the period. Average inventory turnover days were 50 days for the six months ended 30 June 2015 (for the six months ended 30 June 2014: 62 days).

As at 30 June 2015, trade and bill receivables amounted to approximately RMB379.5 million in total, as compared with approximately RMB202.7 million as at 30 June 2014. The increase was in line with the respective increase in our sales during the period. The average trade receivables turnover days were 55 days for the six months ended 30 June 2015 (for the six months ended 30 June 2014: 56 days).

As at 30 June 2015, trade and bills payables amounted to approximately RMB306.1 million in total, as compared with approximately RMB199.7 million as at 30 June 2014. The increase was primarily due to acquisition of Minjiang Snow during the period. The average trade and bills payables turnover days were 55 days for the six months ended 30 June 2015 (for the six months ended 30 June 2014: 87 days).

Capital commitments

As at 30 June 2015, the capital commitments of the Group were RMB18,375,000 (31 December 2014: RMB83,130,000), which were mainly related to the construction of additional production lines and the purchases of equipment for the upgrade of existing production facilities.

Contingent liabilities

As at 30 June 2015, the Group had not provided any form of guarantee for any company outside the Group. The Group is not involved in any current material legal proceedings, nor is our Group aware of any pending or potential material legal proceedings involving the Group.

Employees and remuneration policy

As at 30 June 2015, the Group employed a total of 1,530 full time employees. For the six months ended 30 June 2015, the employee benefit expense was approximately RMB45.6 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.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

TO THE BOARD OF DIRECTORS OF CHINA FIRST CHEMICAL HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 14 to 40, which comprises the interim condensed consolidated balance sheet of China First Chemical Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2015 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION *(Continued)*

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 31 August 2015

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
ASSETS			
Non-current assets			
Land use rights	*8*	**82,895**	72,039
Property, plant & equipment	*9*	**1,756,460**	1,211,946
Goodwill	*9*	**188,673**	–
Intangible assets	*9*	**129,817**	3,711
Investment in associates	*10*	**109,529**	112,704
Deferred income tax assets		**414**	914
Restricted cash		**118,665**	–
Other non-current assets		**8,381**	208,230
		2,394,834	1,609,544
Current assets			
Inventories	*11*	**231,966**	166,479
Trade and other receivables	*12*	**594,174**	263,296
Financial assets at fair value through profit or loss	*13*	**61,303**	–
Cash and cash equivalents		**468,832**	725,234
Restricted cash		**224,010**	303,618
		1,580,285	1,458,627
Total Assets		**3,975,119**	3,068,171
Equity attributable to equity holders of the Company			
Share capital		**65,346**	65,346
Reserves		**756,940**	773,905
Retained earnings		**1,233,089**	1,167,607
Total equity		**2,055,375**	2,006,858
LIABILITIES			
Non-current liabilities			
Borrowings	*14*	**386,984**	347,253
Deferred income		**11,754**	12,504
Deferred income tax liability		**30,280**	743
		429,018	360,500
Current liabilities			
Trade and other payables	*15*	**633,060**	187,368
Current income tax liabilities		**16,371**	5,871
Borrowings	*14*	**841,295**	507,574
		1,490,726	700,813
Total liabilities		**1,919,744**	1,061,313
Total equity and liabilities		**3,975,119**	3,068,171
Net current assets		**89,559**	757,814
Total assets less current liabilities		**2,484,393**	2,367,358

The notes on pages 18 to 40 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue	*6*	**884,859**	690,232
Cost of sales	*6, 16*	**(713,616)**	(458,886)
Gross profit		**171,243**	231,346
Selling and marketing expenses	*16*	**(32,455)**	(19,869)
Administrative expenses	*16*	**(41,174)**	(31,161)
Other income		**751**	1,335
Other losses — net		**(1,285)**	(24)
Operating profit		**97,080**	181,627
Finance income	*17*	**8,608**	1,864
Finance costs	*18*	**(29,072)**	(16,218)
Finance costs — net		**(20,464)**	(14,354)
Share of losses of associates	*10*	**(3,175)**	–
Gain on disposal of previous investments accounted for using equity method	*7*	**12,857**	–
Profit before income tax		**86,298**	167,273
Income tax expense	*19*	**(20,816)**	(43,175)
Profit and total comprehensive income for the period		**65,482**	124,098
Attributable to:			
— Equity holders of the Company		**65,482**	124,098
— Non-controlling interests		**–**	–
		65,482	124,098
Earnings per share attributable to the equity holders of the Company (RMB Yuan)			
— Basic	*20*	**0.08**	0.15
— Diluted	*20*	**0.08**	0.15

The notes on pages 18 to 40 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
(Unaudited)								
Balance at 1 January 2014		65,346	317,328	305,700	152,121	4,951	1,014,644	1,860,090
Profit for the period		–	–	–	–	–	124,098	124,098
Share-based payment expense		–	–	–	–	1,547	–	1,547
Dividend distribution	21	–	–	(24,856)	–	–	–	(24,856)
Balance at 30 June 2014		65,346	317,328	280,844	152,121	6,498	1,138,742	1,960,879
(Unaudited)								
Balance at 1 January 2015		**65,346**	**317,328**	**280,844**	**169,912**	**5,821**	**1,167,607**	**2,006,858**
Profit for the period		**–**	**–**	**–**	**–**	**–**	**65,482**	**65,482**
Dividend distribution	21	**–**	**–**	**(16,965)**	**–**	**–**	**–**	**(16,965)**
Balance at 30 June 2015		**65,346**	**317,328**	**263,879**	**169,912**	**5,821**	**1,233,089**	**2,055,375**

The notes on pages 18 to 40 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	Six -months ended 30 June 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Net cash generated from operating activities		**67,358**	166,189
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss		**(61,249)**	–
Purchases of property, plant and equipment		**(242,901)**	(13,680)
Proceeds from disposal of property, plant and equipment		**10**	–
Purchases of other intangible assets		**(384)**	–
Acquisition of a subsidiary, net of cash acquired	*7*	**(123,283)**	–
Net decrease in restricted cash for serving loan and bills payable		**(39,057)**	(109,300)
Loan to third parties		**(85,000)**	–
Net cash used in investing activities		**(551,864)**	(122,980)
Cash flows from financing activities			
Borrowings from banks		**568,861**	362,484
Repayments of bank borrowings		**(346,186)**	(132,438)
Payments of guarantee for borrowing facilities		**–**	(1,404)
Repayments amounts due from related party		**22,400**	–
Dividends paid		**(16,965)**	(24,856)
Net cash generated from financing activities		**228,110**	203,786
Net (decrease)/increase in cash and cash equivalents		**(256,396)**	246,995
Cash and cash equivalents at beginning of period		**725,234**	784,153
Exchange (loss)/gain on cash and cash equivalents		**(6)**	88
Cash and cash equivalents at end of period		**468,832**	1,031,236

The notes on pages 18 to 40 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 9 December, 2011.

This condensed consolidated interim financial information is presented in thousands of Renminbi ("RMB'000"), unless otherwise stated.

Key events

On 1 February 2015, the Group completed the acquisition of an additional 70% equity interest in Sichuan Minjiang Snow Salt Chemical Industry Co., Ltd. ("Minjiang Snow", a 30% owned associate of the Group as at 31 December 2014). Thereafter, Minjiang Snow became a 100% owned subsidiary of the Group (Note 7).

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared in accordance with International Accounting Standards ("IAS") 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

Amendments to IFRSs effective for the financial year ending 31 December 2015 do not have a material impact on the Group.

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

There are no other amended standards or interpretations that could be expected to have a material impact on the Group.

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2015 and have not been early adopted:

IFRS 14	Regulatory deferral accounts	1 January 2016
Amendments to IAS 1	Disclosure initiative	1 January 2016
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendment to IFRS 11	Accounting for acquisitions of interests in joint operation	1 January 2016
Amendments to IAS16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendment to IAS 27	Equity method in separate financial statements	1 January 2016
Annual improvements 2014		1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018

The Group will apply the above new/revised standards and amendments to standards when they become effective. The Group is in the process of making an assessment of the impact of the above new/revised standards and amendments to standards.

3. ACCOUNTING POLICIES *(Continued)*

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

4. ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial information for the year ended 31 December 2014.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial information as at 31 December 2014.

There have been no changes in the risk management policies since year end.

5.2 Liquidity risk factors

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

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are measured at fair value at 30 June 2015 (31 December 2014: Nil).

	Level 3 RMB'000	Total RMB'000
Assets		
Financial assets at fair value through profit or loss	**61,303**	**61,303**
Total assets	**61,303**	**61,303**

5.4 Fair value measurements using significant unobservable inputs (level 3)

30 June 2015	Financial assets at fair value through profit or loss RMB'000
Opening balance at 1 January	–
Addition	**61,249**
Gains recognised in profit or loss	**54**
Closing balance of 30 June	**61,303**
Total unrealised gains for the period included in profit or loss at the end of the reporting period	**54**

For financial assets at fair value through profit or loss of RMB54,000 was included in "other loss — net" in the condensed consolidated statement of comprehensive income.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

5.5 Group's valuation processes

The Group's finance department performs the valuations of financial assets required for financial reporting purposes, including Level 3 fair values. The financial department reports directly to the chief financial officer ("CFO"). Discussions of valuation processes and results are held between the CFO and financial department at least once every quarter, in line with the Group's quarterly reporting dates.

The valuation technique is discounted cash flows. Future cash flows are estimated and discounted using the expected yield rate with reference to the benchmark yield rate of the financial investment production of banks.

5.6 Fair value of financial assets and liabilities measured at amortised cost

The fair value of borrowings are as follows:

	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000
Non-current	**364,423**	328,838
Current	**841,295**	507,574
	1,205,718	836,412

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Cash and cash equivalents
- Restricted cash
- Trade and other payables

6. SEGMENT INFORMATION

The Group is principally engaged in the chemical products business in the PRC. Separate individual financial information of the four locations where the principal operations of the Group is located are presented to the chief operating decision maker (the executive Directors) who reviews the internal reports in order to assess performance and allocate resources. Due to the differences in gross profit, customers etc. for Bleaching and disinfectant chemicals, Forming agent and Other specialty chemicals, operations of the Group are considered to be three reportable segments in accordance with IFRS 8 "Operation 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 six months ended 30 June 2015 and 2014.

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

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

The segment information provided to the Board of Directors for the reportable segments for the six months ended 30 June 2015 and 2014 is as follows:

	Six months ended 30 June 2015 (Unaudited)			
	Bleaching and disinfectant chemicals RMB'000	Forming agent RMB'000	Other specialty chemicals RMB'000	Total RMB'000
Segment revenue	**503,649**	**247,634**	**133,576**	**884,859**
Inter-segment revenue	**–**	**–**	**–**	**–**
Revenue from external customers	**503,649**	**247,634**	**133,576**	**884,859**
Gross profit	**96,366**	**38,410**	**36,467**	**171,243**
Unallocated				
Depreciation and amortisation				**70,194**
Finance income				**8,608**
Finance expense				**(29,072)**
Income tax expense				**(20,816)**

6. SEGMENT INFORMATION *(Continued)*

	As at 30 June 2015 RMB'000 (Unaudited)
Total assets	**3,975,119**
Total liabilities	**1,919,744**

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

	As at 31 December 2014 RMB'000 (Audited)
Total assets	3,068,171
Total liabilities	1,061,313

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

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

6. SEGMENT INFORMATION *(Continued)*

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Mainland China	**797,253**	596,826
Overseas	**87,606**	93,406
	884,859	690,232

7. BUSINESS COMBINATION

On 12 April 2013, the Group acquired 30% of the equity interests of Minjiang Snow, a Chinese sodium chlorate production base) at nil consideration. On 1 February 2015, the Group acquired a further 70% of the equity interest and obtained the control of Minjiang Snow.

As a result of the acquisition, the Group is expected to increase its presence in bleaching and disinfectant chemicals markets. The goodwill of RMB188,673,000 arising from this acquisition in February 2015 is attributable to acquired capacity, the advantage of cost on hydropower and economies of scale expected from combining the operations of the Group and Minjiang Snow. None of the goodwill recognised is expected to be deductible for income tax purposes.

7. BUSINESS COMBINATION *(Continued)*

The following table summarises the consideration paid for Minjiang Snow, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	As at 1 February 2015 RMB'000 (Unaudited)
Consideration	
Purchase consideration	
— Payment for acquisition of a subsidiary in January 2015	**125,000**
— Prepayment for acquisition of a subsidiary in December 2014	**125,000**
Total consideration transferred	**250,000**
Fair value of equity interest in Minjiang Snow held before the business combination	**12,857**
Total consideration	**262,857**
Recognised amounts of identifiable assets and liabilities acquired	
Cash and banks	**1,717**
Property, plant and equipment	**286,443**
Intangibles:	
— Land use right	**8,170**
— License	**131,400**
Other non-current assets	**7,438**
Inventories	**86,519**
Receivables	**27,963**
Payables	**(286,409)**
Employee benefit liabilities	**(7,647)**
Borrowings	**(150,000)**
Deferred tax liabilities	**(31,410)**
Total identifiable net assets	**74,184**
Goodwill	**188,673**
Total consideration	**262,857**

7. BUSINESS COMBINATION *(Continued)*

	As at 1 February 2015 RMB'000 (Unaudited)
Outflow of cash to acquire business, net of cash acquired	
— cash consideration	**250,000**
— cash and banks in subsidiary acquired	**(1,717)**
Cash outflow on acquisition	**248,283**

(a) Acquired receivables

The fair value of trade and other receivables is RMB27,963,000 and includes trade receivables with a fair value of RMB12,797,000. The gross contractual amount for trade receivables due is RMB14,845,000, of which RMB2,048,000 is expected to be uncollectible.

(b) Revenue and profit contribution

The acquired business contributed revenues of RMB140,961,000 and net loss of RMB4,545,000 to the Group for the period from 1 February 2015 to 30 June 2015. If the acquisition had occurred on 1 January 2015, consolidated revenue would have increased RMB23,806,000 and consolidated profit would have decreased RMB5,165,000 for the six months ended 30 June 2015.

8. LAND USE RIGHTS

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Opening net book amount	**72,039**	73,803
Acquisition of subsidiary *(Note 7)*	**8,170**	–
Additions	**3,653**	–
Amortisation *(Note 16)*	**(967)**	(882)
Closing net book amount	**82,895**	72,921

9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment RMB'000 (Unaudited)	Other intangible assets RMB'000 (Unaudited)	Goodwill RMB'000 (Unaudited)
Six months ended 30 June 2015			
Net book value			
Opening amount as at 1 January 2015	**1,211,946**	**3,711**	**–**
Acquisition of subsidiary *(Note 7)*	**286,443**	**131,400**	**188,673**
Additions	**322,969**	**384**	**–**
Disposals	**(1,349)**	**–**	**–**
Depreciation and amortisation *(Note 16)*	**(63,549)**	**(5,678)**	**–**
Closing amount as at 30 June 2015	**1,756,460**	**129,817**	**188,673**

	Property, plant and equipment RMB'000 (Unaudited)	Other intangible assets RMB'000 (Unaudited)	Goodwill RMB'000 (Unaudited)
Six months ended 30 June 2014			
Net book value			
Opening amount as at 1 January 2014	1,165,438	4,105	–
Additions	1,821	–	–
Disposals	(24)	–	–
Depreciation and amortisation *(Note 16)*	(48,216)	(197)	–
Closing amount as at 30 June 2014	1,119,019	3,908	–

10. INVESTMENT IN ASSOCIATES

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.

As at 31 December 2014, the fair value assessment for the purchase price allocations ("FV assessment for PPA work") 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 had not been completed.

As at 30 June 2015, the FV assessment for PPA work were completed. There were no significant new information obtained about facts and circumstances that existed as of the acquisition date from 31 December 2014. Since the difference between the final adjusted amounts and the provisional amounts recognised at the acquisition date is immaterial, the Group did not retrospectively adjust the provisional amounts recognised at the acquisition date in 2014.

Goodwill of RMB8,593,000 of 45% of ownership interest in Jiangxi Zhengge has been identified as a result of this investment.

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Beginning of the period	**112,704**	–
Change the equity interests in Minjiang Snow from associate to subsidiary	**–**	–
Share of losses of associates	**(3,175)**	–
End of the period	**109,529**	–

10. INVESTMENT IN ASSOCIATES *(Continued)*

The Group's share of the results in them and their aggregated assets and liabilities are shown below:

	Six months ended 30 June 2015 (Unaudited)		
	Rongxin Trading RMB'000	Jiangxi Zhengge RMB'000	Total RMB'000
Assets	97,904	548,874	646,778
Liability	(27,079)	(368,432)	(395,511)
Revenue	64,849	136,975	201,824
Share of profit/(loss)	273	(3,448)	(3,175)
Percentage held	40%	45%	–

11. INVENTORIES

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Raw materials	32,729	14,584
Work in progress	168,765	134,715
Finished goods	30,472	17,180
	231,966	166,479
Less: provision for write-down of inventories	–	–
	231,966	166,479

The cost of inventories recognised as expense and included in cost of sales for the six months ended 30 June 2015 amounted to RMB390,312,000 (for the six months ended 30 June 2014: RMB246,075,000).

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Trade receivables *(a)*	**377,020**	161,305
Due from third parties	**379,068**	162,903
Less: Provision for impairment of receivables	**(2,048)**	(1,598)
Bills receivables	**2,477**	–
Due from third parties	**2,477**	–
Prepayments	**82,197**	38,676
Prepayments for purchase of goods from related parties	**13,440**	25,343
Prepayments for purchase of goods from third parties	**38,100**	1,633
Value added tax input credits	**30,657**	11,700
Other receivables	**132,480**	63,315
Due from third parties *(b)*	**85,000**	–
Due from related parties	**38,693**	61,093
Interest receivables	**4,307**	–
Advance to employees	**1,785**	13
Others	**2,695**	2,209
	594,174	263,296

12. TRADE AND OTHER RECEIVABLES *(Continued)*

The carrying amounts of receivables approximate their fair values.

(a) The Group has a large number of customers, which are widely dispersed within the PRC and Southeast Asia. There is no concentration of credit risk with respect to trade receivables. As at 30 June 2015 and 31 December 2014, the aging analysis of the trade receivables is set as follows:

Details of ageing analysis of trade receivables are as follows:

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Within 3 months	**368,164**	161,305
Between 4 and 6 months	**5,255**	–
Between 7 and 12 months	**1,629**	–
Between 1 and 2 years	**1,375**	–
Between 2 and 3 years	**1,128**	–
Above 3 years	**1,517**	1,598
	379,068	162,903

(b) The amount of RMB85,000,000 due from third parties was received in July 2015.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Financial assets at fair value through profit or loss	**61,303**	–

The financial assets at fair value through profit or loss are the financial products issued by commercial banks in PRC. For the six months ended 30 June 2015, changes in fair values of the financial assets at fair value through profit or loss amounting to RMB54,000 (For the six months ended 30 June 2014: Nil) were recorded in "other loss — net" .

14. BORROWINGS

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Non-current	**386,984**	347,253
Secured borrowings by:		
— Buildings and land use rights	**119,268**	152,404
— Restricted cash	**150,216**	76,543
Guaranteed borrowings	**117,500**	118,306
Current	**841,295**	507,574
Secured borrowings by:		
— Buildings and land use rights	**261,250**	101,720
— Restricted cash	**229,532**	96,944
Guaranteed borrowings	**350,513**	308,910
	1,228,279	854,827

Movements in borrowings is analysed as follows:

	RMB'000 (Unaudited)
Six months ended 30 June 2015	
Opening amount as at 1 January 2015	**854,827**
Acquisition of subsidiary *(Note 7)*	**150,000**
Proceeds of borrowing from banks	**568,860**
Repayments of borrowings	**(346,186)**
Exchange loss	**778**
Closing amount as at 30 June 2015	**1,228,279**
Six months ended 30 June 2014	
Opening amount 1 January 2014	391,075
Proceeds of borrowing from banks	362,484
Repayments of borrowings	(132,438)
Exchange loss	1,180
Closing amount as at 30 June 2014	622,301

14. BORROWINGS *(Continued)*

The Group has the following undrawn borrowing facilities:

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Floating rate:		
— expiring within one year (bank overdraft and bill facility)	**244,223**	461,478
— expiring beyond one year (bank overdraft)	**230,425**	298,800
	474,648	760,278

15. TRADE AND OTHER PAYABLES

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Trade payables *(a)*		
Due to third parties	**167,868**	22,820
Bills payable		
Due to third parties	**138,220**	108,780
Other payables and accrual		
Due to third parties	**326,972**	55,768
	633,060	187,368

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

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Within 3 months	**166,845**	22,805
Between 4 and 6 months	**264**	–
Between 7 and 12 months	**333**	–
Between 1 and 2 years	**44**	15
Between 2 and 3 years	**26**	–
Above 3 years	**356**	–
	167,868	22,820

16. EXPENSES BY NATURE

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Raw materials used and changes in inventories	**390,312**	246,075
Electricity and other utility fees	**205,809**	140,151
Depreciation of property, plant and equipment *(Note 9)*	**63,549**	48,216
Employee benefit expenses	**45,660**	36,117
Transportation and related charges	**30,445**	15,333
Amortisation of intangible assets *(Note 9)*	**5,678**	197
Taxes and levies on main operations	**5,164**	5,653
Office and entertainment expenses	**4,860**	3,093
Repairs and maintenance	**4,448**	4,872
Property insurance fee	**1,754**	1,143
Amortisation of land use rights *(Note 8)*	**967**	882
Travelling expenses	**943**	604
Operating leases expenses	**748**	739
Auditors' remuneration	**600**	600
— Audit service	**600**	600
— Non-audit service	**–**	–
Other expenses	**26,308**	6,241
	787,245	509,916

17. FINANCE INCOME

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income from bank deposits	**8,608**	1,864
	8,608	1,864

18. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expenses:		
— Bank borrowings	**28,232**	13,368
— Discount interest for bill payables and receivables	**3,941**	1,228
— Other charges	**1,895**	1,140
	34,068	15,736
Net foreign exchange (gains)/losses	**(1,395)**	482
Less: Interest capitalised in property, plant and equipment	**(3,601)**	–
	29,072	16,218

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Weighted average effective interest rates used to calculate capitalisation amount	**5.42%**	–

19. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax		
— PRC enterprise income tax *(a)*	**22,189**	42,666
— Hong Kong profits tax *(b)*	**–**	–
Deferred income tax (credit)/charge	**(1,373)**	509
	20,816	43,175

19. INCOME TAX EXPENSE *(Continued)*

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

(b) Hong Kong profits tax has not been provided for as the Group has no assessable profit defined from Hong Kong.

(c) Deferred income tax liabilities of RMB16,264,000 (31 December 2014: RMB15,764,000) 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 RMB1,301,126,000 at 30 June 2015 (31 December 2014: RMB1,261,157,000).

20. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the period of six months ended 30 June attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period of six months ended 30 June.

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	**65,842**	124,098
Weighted average number of ordinary shares in issue (thousand)	**802,191**	802,191
Basic earnings per share (RMB yuan)	**0.08**	0.15

20. EARNINGS PER SHARE *(Continued)*

(b) Diluted

Diluted earnings per share is equal to the basic earnings per share since the Company has no potential dilutive ordinary share, during the period of six months ended 30 June, 2015.

21. DIVIDEND

The final dividend of HK$21,529,000 (equivalent to RMB16,695,000) that relates to the year ended to 31 December 2014 was paid in June 2015 (2014: HK$31,302,000, equivalent to RMB24,856,000).

The board of directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2015 (2014: Nil).

22. SHARE-BASED PAYMENT

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

No share option has been granted under the Share Option Scheme as at 30 June 2015.

23. COMMITMENTS

(a) Capital commitments

The Group has the following capital commitments not provided for:

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Authorised and contracted but not provided for — property, plant and equipment	**18,375**	83,130

(b) Operating lease commitments

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

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
No later than 1 year	**1,651**	1,391
1–2 year	**1,668**	4,621
2–5 year	**3,336**	–
	6,655	6,012

24. RELATED-PARTY TRANSACTIONS

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

(a) Transactions with related parties

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
— Purchase of goods from an associate	**19,805**	–
— Repayments amount due from related party	**22,400**	–

(b) Period-end balances

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Due from an associate	**52,133**	86,436

(c) Key management compensation

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, wages and bonuses	**2,531**	2,048
Contributions to pension plan	**127**	96
Pre-IPO option scheme expenses	**–**	1,547
	2,658	3,691

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

25. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There are no significant events occurring after the balance sheet date of 30 June 2015.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2015, 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 the Company through China First Chemical Ltd.

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

Save as those disclosed above, as at 30 June 2015, the directors and chief executive of the Company did not have any interests or short positions in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or were required, pursuant to section 352 of the SFO, to be entered in the register required to be maintained by the Company; or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, 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 the Company through China First Chemical Ltd.

(2) Mr. Lam Wai Wah is indirectly interested in the Company through Yihua Fortune Limited, which in turn is indirectly interested in the Company through China First Chemical Ltd.

(3) China Renaissance Capital Investment II GP is the general partner of China Renaissance Capital Investment II, L.P. pursuant to a partnership agreement.

(4) China Renaissance Capital Investment II, L.P. is the general partner of China Harvest Fund II, L.P..

(5) China Harvest Fund II, L.P. is the sole shareholder of Trophy Group Limited.

Save as those disclosed above, as at 30 June 2015, 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.

CHANGES OF DIRECTORS' INFORMATION

Subsequent to publication of the 2014 Annual Report of the Company, notifications were received regarding the following change of Directors' information, which are required to be disclosed pursuant to Rule 13.51(2), Rule 13.51B(1) and Rule 13.51B(2) of the Listing Rules.

1. With effect from 18 June 2015:

   i. Dr. Chen Xiao has resigned as an independent non-executive director, chairman of audit committee and member of remuneration committee of the Company; and

   ii. Mr. Li Junfa has resigned as an independent non-executive director, chairman of nomination committee and member of audit committee of the Company.

2. With effect from 28 August 2015:

   i. Dr. Wang Xin has been appointed as an independent non-executive director and chairman of audit committee of the Company; and

   ii. Dr. Kou Huizhong, an independent non-executive director and an existing member of the nomination committee, has been appointed as the chairman of the nomination committee.

CORPORATE GOVERNANCE

The Company has adopted the code provisions in the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code of corporate governance.

On 18 June 2015, Dr. Chen Xiao has resigned as independent non-executive director, chairman of the audit committee and member of remuneration committee and Mr. Li Junfa has resigned as independent non-executive director, chairman of the nomination committee and member of the audit committee. After the resignation, the number of independent non-executive directors as well as the composition of the Company's audit committee, nomination committee and remuneration committee failed to meet the requirements under the Listing Rules and terms of reference of the relevant Committee of the Company.

Pursuant to Rule 3.21 of the Listing Rules, audit committee of listed issuers must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2). The majority of the audit committee members must be independent non-executive directors of the listed issuer. The audit committee must be chaired by an independent non-executive director.

As Dr. Chen Xiao and Mr. Li Junfa have resigned as independent non-executive directors and as chairman and member of the audit committee on 18 June 2015, only Dr. Kou Huizhong has remained as a member of the audit committee. Dr. Wang Xin, who possesses professional qualifications or accounting expertise as required under rule 3.10(2) was appointed as an independent non-executive director and nominated as chairman of the audit committee of the Company on 28 August 2015.

The Board considers that up to the date of this interim results announcement, the Company has complied with the relevant code provisions of the CG Code with the exception of Code Provision A.5.1 as addressed below:

Pursuant to Code Provision A.5.1, issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. After the resignation of Mr. Li Junfa, the nomination committee does not comprise a majority of independent non-executive directors. On 28 August 2015, Dr. Kou Huizhong, an existing independent non-executive director of the Company, was nominated as chairman of the nomination committee.

As such, the Board will make its best endeavours to identify appropriate persons for appointment as independent non-executive director(s), audit committee member and remuneration committee member within three months from the date of resignation of Dr. Chen Xiao and Mr. Li Junfa pursuant to Rule 3.11, 3.23 and 3.27 of the Listing Rules.

The Board would also identify an appropriate person to fill the vacancy in the nomination committee in order to comply with code provision A.5.1.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its model code for securities transactions by Directors and senior management. Having made specific enquiry, all the Directors confirmed that they have complied with the Model Code during the six months ended 30 June 2015.

AUDIT COMMITTEE'S REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the analysis on the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2015, the accounting principles and practices adopted by the Group, and the Group's internal control functions.

INTERIM DIVIDEND

The Directors have not recommended the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

SHARE OPTION SCHEME

Our Company has adopted the Share Option Scheme on 10 June 2011 and 12 June 2011. A summary of the principal terms and conditions of the Share Option Scheme are set out in the section headed "Share Option Scheme" in Appendix VI of the Prospectus. Up to 30 June 2015, no option has been granted pursuant to the Share Option Scheme.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Non-executive Director:

Mr. Liem Djiang Hwa

Executive Directors:

Mr. Chen Hong
Ms. Miao Fei
Mr. Lam Wai Wah

Independent Non-executive Directors:

Dr. Kou Huizhong
Dr. Wang Xin
Dr. Lin Zhang

REGISTERED OFFICE

P.O. Box 309,
Ugland House Grand Cayman,
KY1-1104 Cayman Islands

HEADQUARTERS IN THE PRC

19A, Ping An Building,
No. 88 Wu Yi Zhong Road,
Fuzhou City,
Fujian Province, PRC

PLACE OF BUSINESS IN HONG KONG

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

COMPANY'S WEBSITE

www.cfc2121.com

COMPANY SECRETARY

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

AUTHORIZED REPRESENTATIVES

Mr. Lam Wai Wah
Ms. Miao Fei

ALTERNATE AUTHORIZED REPRESENTATIVE

Ms. Yuen Wing Yan, Winnie

AUDIT COMMITTEE

Dr. Wang Xin *(Chairman)*
Dr. Kou Huizhong
Dr. Lin Zhang

REMUNERATION COMMITTEE

Dr. Kou Huizhong *(Chairman)*
Ms. Miao Fei
Dr. Lin Zhang

NOMINATION COMMITTEE

Dr. Kou Huizhong *(Chairman)*
Mr. Lam Wai Wah
Dr. Lin Zhang

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

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

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

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