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 2015

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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 2015.

Under the complicated global economic situation in 2015, economic development in the PRC entered a new normal pattern. The triple stacking effects from the shift of economic growth, twitch of structural adjustment and digestion of previous incentive policies are still spreading constantly. In 2015, the Company increased the investment in eco-friendly bleaching and disinfectant chemicals such as sodium chlorate, and achieved the revenue of approximately RMB2,135.5 million, representing an increase of about 72.5% from the revenue of approximately RMB1,237.8 million for the corresponding period last year. As affected by the price fall of eco-friendly bleaching and disinfectant chemicals and foaming agents, the profit attributable to the equity holders of the Company decreased by 24.5% to approximately RMB129.0 million for the year 2015 from approximately RMB170.8 million for the corresponding period last year. In order to share the results with the shareholders, the Board has proposed to pay a dividend of HK$0.0192 (RMB0.0161) per share for the year ended 31 December 2015 at an aggregate amount of HK$15.4 million (equivalent to approximately RMB12.9 million) with a dividend ratio of approximately 10%.

MARKET REVIEW

Year 2015 is the final year of "the 12th Five-Year Plan" in China. In spite of the great pressure from macroeconomic restructuring and fierce industry competition, the Company has made outstanding achievements in independent research & development and market expansion by insisting on the development philosophy of "integration and innovation" and by taking the measures of improving internal governance, enhancing risk management, intensifying R&D strength, optimizing merger, acquisition an d integration, etc.

The Action Plan on Water Pollution Prevention and Control (hereinafter referred to as "Ten Water Directives"), printed and distributed by the State Council in April 2015, raised the major objectives of water environment treatment: By 2020 and 2030, the overall proportion of the seven key basins nationwide with high water quality reaching above average will be 75% or above, with black and odorous water bodies in urban built-up areas generally eliminated and the proportion of urban centralized drinking water source quality reaching or exceeding Class III being about 95% generally; specific objectives and measures were also put forward in the aspects of industrial pollution, urban domestic pollution, etc. Both the central and local governments attach great importance to constantly strengthening water environment treatment and endeavor to accelerate the market-oriented process of water environment pollution control, contributing to the new development opportunity period of the water treatment environmental protection industry.

BUSINESS REVIEW

In 2015, the sales revenue of eco-friendly bleaching and disinfectant chemicals amounted to RMB1,271.4 million, representing an increase of 115.0% as compared with sales revenue of RMB591.3 million in 2014. The percentage of revenue attributable to eco-friendly bleaching and disinfectant chemicals increased from 47.8% in 2014 to 59.5% in 2015. Revenue from sales of other chemicals was RMB864.1 million in 2015, representing an increase of 33.7% as compared against sales revenue of RMB646.5 million in 2014. The percentage of revenue attributable to other chemicals dropped from 52.2% in 2014 to 40.5% in 2015. Through our unremitting efforts, the Company's product structure has been further optimized, with the percentage of revenue attributable to eco-friendly bleaching and disinfectant chemicals related to water treatment increasing constantly.

In February 2015, the Group successfully acquired 70% equity of Minjiang Snow, which has since then become a wholly-owned subsidiary of the Group. Upon completion of the Acquisition, the Company has conducted integration and improvement of Minjiang Snow in various aspects like technological transformation, process optimization, productivity improvement, market expansion, etc., achieving significant progress.

During the year under review, as affected by multiple factors such as increasing pressure from economic downturn, industrial restructuring, fiercer industry competition, etc., the selling price of the Company's main products like sodium chlorate, hydrogen peroxide and foaming agent has dropped obviously from the beginning of 2015, leading to a sharp decline of the Company's economic benefits.

FINANCIAL REVIEW

The interest-bearing debt to equity ratio of the Company was increased from approximately 43% shown on the Company's latest published consolidated financial statements as at 31 December 2014 to approximately 57% as at 31 December 2015, due to the mergers and acquisitions of eco-friendly bleaching and disinfectant chemicals business. However, such mergers and acquisitions will further enhance our market share in the PRC and the Asian-Pacific region, and thereby improve the bargaining power of our products.

During the year under review, the increase in revenue of the Company was mainly attributable to the revenue increase arising from the acquisition of Minjiang Snow and the increase in sales revenue of other chemicals during the year.

The gross profit for the year was RMB395.0 million, representing an increase of approximately RMB24.5 million or 6.6% from the gross profit of approximately RMB370.5 million for the corresponding period last year. The gross profit margin decreased from 29.9% for 2014 to 18.5% for 2015, mainly due to (i) the average selling prices of products affected by the sluggish macro-economy; (ii) the fact that the Company owns a complete package of key process technologies and has the sustainable and stable power advantage, whose product indicators and added values are leading in the industry.

OUTLOOK

As the 2016 National Environmental Protection Conference was held in Beijing, the implementation assessment methods and implementation rules of the "*Ten Water Directives*" expect to be presented soon. So far, nearly 30 provinces (regions and municipalities) including Shandong and Anhui have announced their work plans for water pollution prevention and control. According to public information, by taking measuring like increasing the pollution control investment and highly improving the pollution control technology, environmental protection equipment R&D and industrialization level, the "*Ten Water Directives*" will drive the environmental protection enterprises to increase output values of approximately RMB1.9 trillion, including RMB1.4 trillion for products and services directly-purchased from the environmental protection industry. We firmly believe that the launch of "*Ten Water Directives*" will provide a new impetus for the development of water environment treatment industry, the "survival of the fittest" supply side structural reform will definitely help the Company to emerge and share the dividends from industry development.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

Revenue for the year under review was approximately RMB2,135.5 million, representing an increase of approximately RMB897.7 million or 72.5% as compared to the revenue of approximately RMB1,237.8 million for the corresponding period in last year. The increase was mainly attributable to the increase in the sales of bleaching and disinfectant chemicals and foaming agent products during the year.

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

	For the year ended 31 December			
	2015		2014	
	Amount	% of Revenue	Amount	% of Revenue
Revenue (RMB'000)				
Bleaching and disinfectant chemicals	**1,271,415**	**59.5%**	591,255	47.8%
Other chemicals products	**864,130**	**40.5%**	646,502	52.2%
Total	**2,135,545**	**100.0%**	1,237,757	100.0%

	2015	2014
Sales (tons)		
Bleaching and disinfectant chemicals	**618,614**	333,117
Other chemical products	**141,194**	96,859
Total	**759,808**	429,976

	2015	2014
	Amount	Amount
Average selling price (RMB/per ton)		
Bleaching and disinfectant chemicals	**2,055**	1,775
Other chemical products	**6,120**	6,675

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	Actual output	Utilization rate		Pro-rated designed production capacity	Actual output	Utilization rate
	Tons	Tons	%		Tons	Tons	%
2015:				2014:			
Bleaching and disinfectant chemicals	**545,900**	**417,719**	**77%**	Bleaching and disinfectant chemicals	380,000	335,973	88%
Other chemical products	**229,687**	**178,678**	**78%**	Other chemical products	184,000	145,491	79%
Total	**775,587**	**596,397**	**77%**	Total	564,000	481,464	85%

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 2015 and 31 December 2014, the pro-rated designed production capacity of bleaching and disinfectant chemicals was 545,900 tons and 380,000 tons, respectively. In 2015, the annual pro-rated designed capacity of bleaching and disinfectant products increased by approximately 165,900 tons, which was mainly attributable to additions of production facilities for sodium chlorate after acquisition of Minjiang Snow during the year.

During the year under review, the total revenue for the bleaching and disinfectant chemicals was RMB1,271.4 million, representing increase of approximately 115.0% or RMB680.2 million from that in 2014. The increase in revenue was mainly attributable to expansion of sales after acquisition of Minjiang Snow during the year.

In 2015, the utilization rate of the Group's bleaching and disinfectant product segment (i.e. actual output to pro-rated designed production capacity) reached 77% (2014: 88%), 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 agent, potassium chlorate, sodium perchlorate, potassium perchlorate, caustic soda, biurea and others.

As at 31 December 2015 and 31 December 2014, the pro-rated designed production capacity of other chemical product was 229,687 tons and 184,000 tons, respectively. In 2015, the annual pro-rated designed capacity of other chemical products increased by approximately 45,687 tons, which was mainly attributable to additions of production facilities for sodium perchlorate after acquisition of Minjiang Snow, completion of the upgrade in production facilities for foaming agent, caustic soda and biurea during the year.

During the year under review, the total revenue for other chemical products was RMB864.1 million, representing an increase of approximately 33.7% or RMB217.6 million from that in 2014. The increase was mainly attributed to expansion of sales of other chemical products during the year.

In 2015, the utilization rate of the Group's other chemical product segment reached 78% (2014: 79%), which was demonstrating our production capacity being absorbed by relatively stable demand of downstream enterprises.

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 62.9% and 51.7% of our total cost of sales for the year ended 31 December 2015 and 2014, respectively.

During the year under review, our cost of sales increased by approximately RMB873.3 million or 100.7% to RMB1,740.5 million from RMB867.2 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 81.5% and 70.1% for the year ended 31 December 2015 and 2014, 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 increased by approximately RMB24.5 million or 6.6% to RMB395.0 million for the year under review from RMB370.5 million for the corresponding period last year. The overall gross margin decreased from 29.9% in 2014 to 18.5% in 2015, which was primarily due to: (1) the average selling price of products affected by the sluggish macro-economy; (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 added values are leading in the industry.

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

	For the year ended 31 December		
Gross margin (%)	2015	2014	Change
Bleaching and disinfectant chemicals	**17.6%**	33.0%	(46.7%)
Other chemical products	**19.8%**	27.1%	(26.9%)
Overall	**18.5%**	29.9%	(38.1%)

Bleaching and disinfectant chemicals

The gross margin of bleaching and disinfectant chemicals decreased from 33.0% for the year ended 31 December 2014 to 17.6% for the year ended 31 December 2015, which was primarily attributed 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 27.1% for the year ended 31 December 2014 to 19.8% for the year ended 31 December 2015, which was primarily attributed 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 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 increased by approximately 68.5% to approximately RMB65.2 million for the year ended 31 December 2015 from approximately RMB38.7 million for the year ended 31 December 2014, which was attributable to the expansion in the Group's sales after acquisition of Minjiang Snow during the year.

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 approximately 32.1% to approximately RMB86.0 million for the year ended 31 December 2015 from approximately RMB65.1 million for the year ended 31 December 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 increased by approximately 54.5% to approximately RMB3.4 million for the year ended 31 December 2015 from approximately RMB2.2 million for the year ended 31 December 2014, which was primarily attributable to the increase 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 increased by approximately 91.7% to approximately RMB2.3 million for the year ended 31 December 2015 from approximately RMB1.2 million for the year ended 31 December 2014, which was primarily attributable to increase 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 approximately 274.4% to approximately RMB14.6 million for the year ended 31 December 2015 from approximately RMB3.9 million for the year ended 31 December 2014, which was primarily attributable to the increase in interest income resulting from the 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 on financing activities, less interest capitalised in property, plant and equipment. The finance costs of the Group increased by approximately 126.7% to approximately RMB97.7 million for the year ended 31 December 2015 from approximately RMB43.1 million for the year ended 31 December 2014, which was primarily attributed to the increase in interest-bearing borrowings, and the net foreign exchange losses on the retranslation of USD-denominated borrowings as a result of appreciation of USD against RMB 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 approximately 27.6% to approximately RMB43.8 million for the year ended 31 December 2015 from approximately RMB60.5 million for the year ended 31 December 2014. The effective tax rate decreased to approximately 25.3% for the year ended 31 December 2015 from approximately 26.2% for the year ended 31 December 2014 as a result of adjustments for income and certain expenses items which were not assessable or deductible for income tax purpose.

As of 31 December 2015, the Group recognise deferred income tax assets of approximately RMB3,069,000 in respect of losses of a newly acquired subsidiary that can be carried forward against its future taxable income.

PROFIT FOR THE YEAR

As a result of the foregoing factors, the profit attributable to the equity holders of the Company decreased by approximately 24.5% to approximately RMB129.0 million for the year ended 31 December 2015 from approximately RMB170.8 million for the year ended 31 December 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 RMB470.9 million (2014: RMB725.2 million), most of which were denominated in Renminbi. As at 31 December 2015, the interest bearing bank borrowings of the Group amounted to approximately RMB1,217.5 million (2014: RMB854.8 million).

The Group's current ratio (calculated as current assets divided by current liabilities) was approximately 1.04 (2014: 2.08). The gearing ratio (calculated as net debt divide by total capital) of the Group was 19.5% as at 31 December 2015 (2014: not applicable as the Group was in a net cash position). The Group has sufficient and readily available finance resource for both general working capital purpose and foreseeable capital expenditure.

Working capital

Inventories were approximately RMB236.8 million in total as at 31 December 2015 RMB166.5 million. The increase was primarily due to the acquisition of Minjiang Snow during the year. Average inventory turnover days was 42 days for the year 2015 (2014: 67 days).

As at 31 December 2015, trade receivables amounted to approximately RMB418.1 million in total (2014: RMB161.3 million). The increase was in line with increase in our sales during the year. The average trade receivables turnover days was 49 days for the year 2015 (2014: 57 days).

As at 31 December 2015, trade and bills payables amounted to approximately RMB345.2 million in total (2014: RMB131.6 million). The increase was mainly due to the increase in the uses of 90 days letter of credit and bills guaranteed by banks in our payments to suppliers, and the impact of the acquisition of Minjiang Snow. The average trade and bills payables turnover days was 42 days for the year 2015 (2014: 64 days).

CAPITAL COMMITMENTS

Capital expenditure contracted for as of the year end but not yet incurred is as follow:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Property, plant and equipment	**9,720**	83,130

CONTINGENT LIABILITIES

As at 31 December 2015, the Group had not provided any form of guarantee for any company outside the Group. The Group does not have in any pending/potential material legal litigation in which the Group is/will be involved.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group employed a total of 1,430 full time employees. For the year ended 31 December 2015, the employee benefit expense was approximately RMB88.5 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.

PROSPECT

2016 is the first year of "the 13th Five-Year Plan" as well as a year of top-down design for environmental protection during the "the 13th Five-Year Plan". In terms of the future development policy, the Chinese government is vigorously advocating the five development concepts of "innovation, harmonisation, greening, openness and sharing". The launch of these environmental protection policies will bring tremendous development opportunities to environmental protection, water treatment and related industries.

Strict Environmental Protection Policies Will Accelerate the Water Treatment Industry Restructuring

The Action Plan on Water Pollution Prevention and Control (hereinafter referred to as "Ten Water Directives"), printed and distributed by the State Council in April 2015, raised the major objectives of water environment treatment: By 2020 and 2030, the overall proportion of the seven key basins nationwide with the water quality reaching or exceeding Class III will reach over 70% and 75% respectively; specific objectives and measures were also put forward in the aspects of industrial pollution, urban domestic pollution, etc. The "Ten Water Directives" expressly requires the government authorities complete examination of water bodies and publish name of black and odorous water bodies, person in charge and compliance deadlines before the end of 2015. According to the requirements of the "Ten Water Directives" for black and odorous water bodies in cities, among the 295 cities at prefecture level and above in China, 1861 black and odorous water bodies have been found out in 218 cities, except for the 77 cities where no black and odorous water bodies were found. Therefore, the environmental protection work is still an arduous task.

The water treatment industry restructuring will be accelerated along with the launch of more vigorous environmental protection policies. The "survival of the fittest" development trend will be conducive for the environmental protection leaders in the industry to stand out from the market and share the water control feast worth of RMB1 trillion.

Intensify Independent R&D and Improve Product Quality Continually

For a long time, the Group has been persisting in independent research & development and environmental-friendly production, in particular, the R&D and promotion of eco-friendly production process. In 2015, the key technology research project for sodium chlorate exhaust gas purification, which was independently researched and developed by a wholly-owned subsidiary of the Group — Sichuan Minjiang Snow Salt Chemical Industry Co., Ltd. (hereinafter referred to as "Minjiang Snow"), was awarded the Second Prize of Science and Technology Progress in Aba Prefecture, while the technology of hydrogen exhaust deoxidising device obtained the national utility model patent.

2016 will be a crucial year for pushing through the structural reform. As the cutting overcapacity and destocking measures are taken in the industry, low-end products and low-end capacity hard to realise eco-friendly production will gradually withdraw from the market, and the quality and efficiency of supply system will be enhanced accordingly. The Group will continue to conduct intensive research and development, optimise the production process, constantly increase the added values of products, and improve the product quality.

Hunt For M&A Targets and Improve Industry Chain Layout

Following the acquisition of 30% equity of Minjiang Snow in April 2013, the Group completed the acquisition of the remaining 70% equity of Minjiang Snow in February 2015. Upon completion of the acquisition, Minjiang Snow has become a wholly-owned subsidiary of the Group.

With its production base located in the Aba Prefecture, Sichuan Province, Minjiang Snow owns production lines with annual production of 180,000 tonnes of sodium chlorate, and enjoys abundant local hydropower resources. Upon completion of the acquisition, the Group has conducted integration and improvement in various aspects like technological transformation, process optimisation, productivity improvement, market expansion, etc., which has significant effect.

The Group will continue to hunt for merger and acquisition (M&A) targets, expect to improve the layout of water treatment upstream and downstream industry chain by means of M&A on suitable market opportunities, and boost the sound and rapid business development.

BIOGRAPHIES OF DIRECTORS

Chairman and Non-executive Director

Mr. Liem Djiang Hwa (林強華), aged 61, 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 51, 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 42, 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 59, 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.

Independent Non-executive Directors

Dr. Kou Huizhong (寇會忠), aged 48, 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.

Dr. Wang Xin (王鑫), aged 38, has been an Independent Non-executive Director since 28 August 2015. Dr. Wang is now an associate professor of accounting at the School of Business, The University of Hong Kong ("HKU"). In 2014, Dr. Wang was awarded a tenured position by the HKU due to his excellent academic performance. Dr. Wang received his Ph.D. degree in accounting from Duke University in 2006. Before pursuing the Ph.D. degree, he studied in Tsinghua University for six years and earned both Bachelor's degree and Master's degree in accounting respectively in 1999 and 2001. Before he joined HKU, Dr. Wang worked at the Chinese University of Hong Kong until 2011. Dr. Wang has research interests in the fields of corporate governance, executive compensation, insider trading and financial disclosure quality. His papers were published on the top international academic journals such as Journal of Accounting and Economics, The Accounting Review, and Review of Accounting Studies. Dr. Wang has teaching experience of several accounting courses, including Introductory Financial Accounting, Intermediate Financial Accounting I, and Intermediate Financial Accounting II. He also teaches (as one of co-instructors) the Ph.D. course of Research Methods for Business Studies.

Dr. Lin Zhang (林璋), aged 44, has been an Independent Non-executive Director since 2 September 2015. Dr. Lin is currently the professor and doctoral supervisor of School of Environment and Energy, South China University of Technology. In 1999, Dr. Lin received her doctorate degree in chemistry from Chinese Academy of Sciences, and subsequently completed her postdoctoral fellowship in University of Wisconsin-Madison and Lawrence Berkeley National Laboratory, UC Berkeley in 2001 and 2004, respectively. Since 2005, Dr. Lin served from time to time as researcher and doctoral supervisor and head of the postgraduate department of Fujian Institute Substantial Structure, Chinese Academy of Sciences. Since March 2015, she has been the professor and doctoral supervisor of School of Environment and Energy, South China University of Technology. Dr. Lin is the winner of the 2011 National Science Fund for Distinguished Young Scholars (國家傑出青年基金), the national candidate under the "Millions of Talents Project" (百千萬人才工程), and a member of the Young and Middle-Aged Industrial Leaders of Science and Technology under the Ministry of Science and Technology (科技部中青年科技創新領軍). She has long been active in research on heavy metal pollution and control. Dr. Lin has been contributing a number of innovative efforts to understand and achieve the targets of "recyclable use" and "long-term solidification" of heavy metals with the application of the nanocrystal growth kinetics as well as basic research on bio-mineralization. In respect of the heavy metals which appear with a low and medium concentration level in wastewater and difficult to recycle, Dr. Lin develops the materials, techniques, and theories which could enable "closed-type" preliminary enrichment of heavy metals without chemical inputs and "reaction type" instant extraction of heavy metals, through applying nanocrystal growth kinetics and the surface/interfacial control theory, and conducted research on the actual application in this respect.

Dr. Chen Xiao (陳曉), age 53, had been an Independent Non-executive Director since 10 June 2011 and resigned on 18 June 2015. 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.

Mr. Li Junfa (李君發), aged 53, had been an Independent Non-executive Director since 10 June 2011 and resigned on 18 June 2015. 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: Shandong 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.

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 40, 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.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tan Boon Chek, aged 38, 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 48, 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 56, 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.

Mr. He Zhong (何中), aged 48, 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 52, 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 59, 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 52, 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 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 2015, 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 2015.

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. Kou Huizhong
Dr. Wang Xin
Dr. Lin Zhang

The biographical information of the directors are set out in the section headed "Biographies of Directors" on pages 11 to 13 of the annual report for the year ended 31 December 2015. 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.

Independent Non-executive Directors

During the year ended 31 December 2015, 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 their 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.

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.

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 page 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 2015 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.

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 2015 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	5/5	–	–	–	1/1
Chen Hong	5/5	–	–	3/3	1/1
Miao Fei	5/5	–	3/3	3/3	1/1
Lam Wai Wah	5/5	3/3	–	–	1/1
Chen Xiao (resigned on 18 June 2015)	1/1	–	1/1	1/1	1/1
Kou Huizhong	5/5	3/3	3/3	3/3	1/1
Li Junfa (resigned on 18 June 2015)	1/1	1/1	–	1/1	1/1
Wang Xin (appointed on 28 August 2015)	3/3	–	–	2/2	–
Lin Zhang (appointed on 2 September 2015)	1/1	–	–	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 2015.

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 31 and 32.

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 2015 amounted to RMB4,000,000.

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 2015 is set out below:

Service Category	Fees Paid/Payable RMB
Audit Services	4,000,000
Non-audit Services	–
	4,000,000

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 2015, 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.

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.

The directors are pleased to present to shareholders their report and the audited financial statements of the Group for the year ended 31 December 2015.

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 2015 are set out in the consolidated statement of comprehensive income on page 35.

SEVEN YEAR FINANCIAL SUMMARY

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

DIVIDEND

The Board recommended the payment of a final dividend of HK$1.92 cents (RMB1.61 cents) per share for the year ended 31 December 2015 to Shareholders whose names appear on the register of members of the Company on 20 June 2016. The proposed final dividend is subject to the approval by the shareholders at the forthcoming annual general meeting to be held on Monday, 13 June 2016. The final dividend is expected to be paid on or before 24 June 2016.

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, 10 June 2016 and Monday, 13 June 2016, 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 Wednesday, 8 June 2016.

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, 17 June 2016 and Monday, 20 June 2016, 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, 16 June 2016.

RESERVES

Details of movements in the reserves are set out in the consolidated statement of changes in equity on page 36 and Note 19 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 RMB1,282.1 million (2014: RMB1,167.6 million).

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided on management discussion and analysis and the Chairman's statements of this annual report. Description of possible risks and uncertainties that the Group may be facing and an analysis of the Group's performance during the year using financial key performance indicators is provided on page 4 to 10 of this annual report.

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 20 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in Note 18 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 2015.

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. Kou Huizhong
Dr. Wang Xin
Dr. Lin Zhang

In accordance with the Article 16.18 of the Company's Articles of Association, Ms. Miao Fei and Mr. Lam Wai Wah, shall retire at the annual general meeting.

Pursuant to Article 16.2 of the Company's Articles of Association. Dr. Wang Xin and Dr. Lin Zhang, who have been appointed by the Board on 28 August 2015 and 2 September 2015 respectively, shall hold office only until the annual general meeting.

All of the above retiring Directors, being eligible, will offer themselves for re-election at the annual general meeting.

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.

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.

The Independent Non-executive Director, namely Dr. Kou Huizhong, Dr. Wang Xin and Dr. Lin Zhang, has been appointed for a term of three years, while Dr. Kou Huizhong have renewed another three years commencing from 10 December 2014, Dr. Wang Xin was appointed on 28 August 2015 and Dr. Lin Zhang was appointed on 2 September 2015 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.

PERMITTED INDEMNITY PROVISION

During the year ended 31 December 2015, a permitted indemnity provision as defined in the Hong Kong Companies Ordinance was in force for the benefit of the Directors. The Company has taken out and maintained appropriate insurance cover in respect of potential losses or liabilities which the Directors or officers may sustain or incur in or about the execution of their duties of their office.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 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 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 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 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.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 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 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 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.

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:

	2015	2014
As a percentage of the Group's total sales		
The largest customer	**9.3%**	9.8%
Five largest customers in aggregate	**31.5%**	38.5%
As a percentage of Group's total purchases		
The largest supplier	**23.6%**	18.0%
Five largest suppliers in aggregate	**53.8%**	59.2%

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 2015.

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.

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 2015, 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.

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 2015, 16,000,000 options under the Pre-IPO Share Option Scheme have been granted by the Company, which were lapsed in 2014.

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 24 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 2015 is set out in Note 36 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 2015.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2015 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.

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, 24 March 2016

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 set out on pages 33 to 95, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance 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, 24 March 2016

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Land use rights	6	**82,426**	72,039
Property, plant and equipment	7	**1,850,067**	1,211,946
Intangible assets	8	**311,714**	3,711
Investments accounted for using the equity method	10(b)	**110,891**	112,704
Deferred income tax assets	11	**3,069**	914
Restricted cash	17	**106,650**	–
Other non-current assets	12	**27,400**	208,230
		2,492,217	1,609,544
Current assets			
Inventories	13	**236,818**	166,479
Trade and other receivables	14	**487,500**	263,296
Financial assets at fair value through profit or loss	15	**43,771**	–
Cash and cash equivalents	16	**470,931**	725,234
Restricted cash	17	**191,311**	303,618
		1,430,331	1,458,627
Total assets		**3,922,548**	3,068,171
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	18	**65,346**	65,346
Other reserves	19	**771,497**	773,905
Retained earnings	19	**1,282,093**	1,167,607
Total equity		**2,118,936**	2,006,858

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	20	**383,361**	347,253
Deferred income	21	**11,002**	12,504
Deferred income tax liabilities	11	**28,456**	743
		422,819	360,500
Current liabilities			
Trade and other payables	22	**525,757**	187,368
Current income tax liabilities		**20,848**	5,871
Borrowings	20	**834,188**	507,574
		1,380,793	700,813
Total liabilities		**1,803,612**	1,061,313
Total equity and liabilities		**3,922,548**	3,068,171

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

The financial statements on pages 33 to 95 were approved by the Board of Directors on 24 March 2016 and were signed on its behalf.

CHEN HONG
Director

MIAO FEI
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Revenue	5	**2,135,545**	1,237,757
Cost of sales	23	**(1,740,531)**	(867,229)
Gross profit		**395,014**	370,528
Selling and marketing expenses	23	**(65,245)**	(38,682)
Administrative expenses	23	**(85,973)**	(65,106)
Other income	25	**3,435**	2,183
Other losses — net	26	**(2,255)**	(1,153)
Operating profit		**244,976**	267,770
Finance income	27	**14,585**	3,934
Finance expenses	28	**(97,749)**	(43,106)
Finance expenses — net		**(83,164)**	(39,172)
Gain on disposal of previous investments accounted for using equity method	35	**12,857**	–
Share of (losses)/profits of investments accounted for using the equity method	10(b)	**(1,813)**	2,704
Profit before income tax		**172,856**	231,302
Income tax expense	29	**(43,813)**	(60,548)
Profit for the year		**129,043**	170,754
Other comprehensive income		**–**	–
Total comprehensive income for the year		**129,043**	170,754
Attributable to equity holders of the Company		**129,043**	170,754
Earnings per share attributable to the equity holders of the Company (RMB Yuan)			
— Basic	30	**0.16**	0.21
— Diluted	30	**0.16**	0.21

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company						
		Share capital RMB'000 (Note 18)	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Share-based payment reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2014		65,346	317,328	305,700	152,121	4,951	1,014,644	1,860,090
Comprehensive income								
Profit for the year		–	–	–	–	–	170,754	170,754
Transactions with owners in their capacity as owners								
Profit appropriation to statutory reserves	19	–	–	–	17,791	–	(17,791)	–
Share-based payment expense	33	–	–	–	–	870	–	870
Dividend distribution	31	–	(24,856)	–	–	–	–	(24,856)
Balance at 31 December 2014		65,346	292,472	305,700	169,912	5,821	1,167,607	2,006,858
Balance at 1 January 2015		**65,346**	**292,472**	**305,700**	**169,912**	**5,821**	**1,167,607**	**2,006,858**
Comprehensive income								
Profit for the year		**–**	**–**	**–**	**–**	**–**	**129,043**	**129,043**
Transactions with owners in their capacity as owners								
Profit appropriation to statutory reserves	19	**–**	**–**	**–**	**14,557**	**–**	**(14,557)**	**–**
Dividend distribution	31	**–**	**(16,965)**	**–**	**–**	**–**	**–**	**(16,965)**
Balance at 31 December 2015		**65,346**	**275,507**	**305,700**	**184,469**	**5,821**	**1,282,093**	**2,118,936**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Cash generated from operations	32	**132,835**	322,671
Interest paid		**(65,926)**	(38,918)
Interest received		**6,900**	3,934
Income tax paid		**(34,688)**	(79,563)
Net cash from operating activities		**39,121**	208,124
Cash flows from investing activities			
Purchases of financial assets at fair value through profit or loss		**(73,771)**	–
Proceeds from maturity of investments in financial assets at fair value through profit or loss		**30,134**	–
Purchases of property, plant and equipment		**(379,350)**	(217,099)
Proceeds from disposal of property, plant and equipment	32	**325**	980
Purchases of intangible assets		**(384)**	–
Acquisition of a subsidiary, net of cash acquired		**(123,283)**	(125,000)
Purchases of land use rights		**(4,243)**	–
Net increase/(decrease) in restricted cash		**5,657**	(191,001)
Loan to third parties		**(85,000)**	–
Repayments from third parties		**85,000**	–
Acquisition of equity interests in associates		**–**	(110,000)
Repayment of loans from a related party		**22,400**	–
Net cash used in investing activities		**(522,515)**	(642,120)
Cash flows from financing activities			
Drawdown of bank borrowings		**982,521**	955,614
Repayments of bank borrowings		**(737,104)**	(493,510)
Loans with a related party		**–**	(61,093)
Dividends	31	**(16,965)**	(24,856)
Net cash from financing activities		**228,452**	376,155
Net decrease in cash and cash equivalents		**(254,942)**	(57,841)
Cash and cash equivalents at beginning of year		**725,234**	784,153
Exchange gain/(losses) on cash and cash equivalents		**639**	(1,078)
Cash and cash equivalents at end of year		**470,931**	725,234

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

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

The Company has been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 9 December 2011.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

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 all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

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.

2.1.1 Changes in accounting policy and disclosures

(a) *Amended standard and annual improvements adopted by the Group*

The following amendment to standard or annual improvements have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"
Annual improvements 2012
Annual improvements 2013

The adoption of the abovementioned amendment to standard and annual improvements did not result in any significant changes in the Group's significant accounting policies and presentation of 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 Hong Kong Companies Ordinance (Cap.622)*

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosure of certain information in the consolidated financial statements.

(c) *New and amended standards and annual improvements not yet adopted by the Group*

A number of new standards, amendments to existing standards and annual improvements which may be applicable to the Group and are effective for annual periods beginning after 1 January 2015 are summarised as below.

	Effective for accounting periods beginning on or after
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	1 January 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation"	1 January 2016
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Not yet determined
Amendments to IAS 27 "Equity Method in Separate Financial Statements"	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	1 January 2016
Amendments to IAS 1 "Disclosure Initiative"	1 January 2016
Annual improvements 2014	1 January 2016
Amendments to IAS 12 "Income Taxes"	1 January 2017
Amendments to IAS 7 "Statement of Cash Flows"	1 January 2017
IFRS 15 "Revenue from Contracts with Customers"	1 January 2018
IFRS 9 "Financial Instruments"	1 January 2018
IFRS 16 "Leases"	1 January 2019

The Group has not early adopted the abovementioned new standards, amendments to standards and annual improvements in these consolidated financial statements and will apply these new standards, amendments to standards and annual improvements in accordance with their respective effective dates. The Group has already commenced an assessment of the related impact to the Group but is not yet in a position to state whether any substantial changes to Group's significant accounting policies or presentation of the Group's consolidated financial statements will be resulted.

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 profit or loss.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation *(Continued)*

(a) Business combinations (Continued)

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 profit or loss.

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

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 investments in associates include goodwill identified on acquisition (if any).

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 profit or loss, 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.

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 profit or loss.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 profit or loss.

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 consolidated statement of comprehensive income 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.

(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 income statement 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 in other comprehensive income.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 (if any). 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 charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, 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.

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 (Note 2.9).

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

Construction-in-progress ("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 the respective categories of 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 (if any). 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 within 'Administrative expenses' in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 and accumulated impairment losses (if any). Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives of 10 years.

(c) Computer software and technology

Acquired computer software and technology are capitalised on the basis of the costs incurred to acquire the specific software and technology. Amortisation is calculated using the straight-line method to allocate the cost of computer software and technology over their estimated useful lives of 10 years and 12 years, respectively.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. As at 31 December 2015 and 2014, the Group only has financial assets in the categories of "financial assets at fair value through profit or loss" and "loan and receivables".

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) *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 the amounts that are settled or expected to be settled more 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", "cash and cash equivalents" and "restricted cash" in the balance sheet.

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in 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. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of comprehensive income within 'Other losses — net' in the period in which they arise. Investment income from financial assets at fair value through profit or loss is recognised in profit or loss when the Group's right to receive payments is established.

2.10.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial assets *(Continued)*

2.10.4 Impairment of financial 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.

For loans and receivables category, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. 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 profit or loss.

2.11 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.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold 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 (if any).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Cash and cash equivalents

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

2.14 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.

2.15 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.

2.16 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 profit or loss 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 pre-payment 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.

2.17 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 profit or loss in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, 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 Group operates and generates 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 and associates, 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 when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates 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 income tax assets against current income 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 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. Contribution to these housing funds are expensed as incurred.

(c) Bonus plan

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Provisions

Provisions for 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.

2.22 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 Group; 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 customers; the customers have 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 payment is established.

2.23 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 profit or loss over the period necessary to match them with the cost that they are intended to compensate.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 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 profit or loss, on a straight-line basis over the period of the lease.

2.25 Dividend distribution

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

2.26 Exceptional items

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

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 has not used any derivative financial instruments 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. However, foreign exchange rate risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the consolidated entity's functional currency.

For the year ended 31 December 2015, approximately 8% (2014: approximately 14%) of the Group's sales are denominated in currencies other than the consolidated entity's functional currency.

Other than certain trade receivables, cash and cash equivalents and borrowings which are denominated in currencies other than RMB, (Notes 14, 16 and 20), the Group's assets and liabilities are denominated in RMB.

At 31 December 2015, if RMB had weakened/strengthened by 5% against the USD and HKD respectively with all other variables held constant, profit before income tax for the year ended 31 December 2015 would have been RMB24,932,000 lower/higher (2014: RMB30,581,000 lower/higher), mainly as a result of foreign exchange losses/gains on the re-translation of USD-denominated and HKD-denominated cash and cash equivalents, trade receivables 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.

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 2015, 93% of the Group's restricted cash and cash and equivalents (2014: 93%), 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 trade receivables is disclosed in Note 14. 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.

Other receivables primarily comprise of loan to a related party, interest receivables from state-owned banks or financial institutions and utilities/other deposits paid. The loan to a related party represents the loan as advanced to Jiangxi Zhengge Investment Stock Co., Ltd., an associate of the Group. Considering the good business prospect of the associate and also its good repayment pattern during the year ended 31 December 2015, management considers that the loan is fully recoverable. In respect of the interest receivables and utilities/other deposits paid, management considers that the counter-parties are all with good credit quality and hence will not expose the Group to any significant credit risk.

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 2015, the exposure to the top 15 customers did not exceed 69% (2014: 65%) of the gross trade and other receivables, with the exposure to the largest customer representing less than 10% (2014: 8%).

(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 20. 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 2015, the Group has trade receivables of approximately RMB418,108,000 (2014: RMB161,305,000) (Note 14) and cash and cash equivalents of approximately RMB470,931,000 (2014: RMB725,234,000) (Note 16) that are expected to readily generate cash inflows for managing liquidity risk.

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 the balance sheet date 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 2015				
Borrowings and interest payable	**857,224**	**221,127**	**207,527**	**–**
Trade and other payables	**500,379**	**–**	**–**	**–**
	1,357,603	**221,127**	**207,527**	**–**
At 31 December 2014				
Borrowings and interest payable	529,403	178,979	170,121	27,479
Trade and other payables	187,031	–	–	–
	716,434	178,979	170,121	27,479

(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 carried at floating rates expose the Group to cash flow interest-rate risk whereas borrowings carried at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2015, borrowings of approximately RMB507,673,000 (2014: RMB691,507,000) bear variable rates. Whereas borrowings of approximately RMB709,876,000 (2014: RMB163,320,000) bear fixed rates. The Group's borrowings carried at fixed rates are all repayable within one year and hence the Group is not subject to any significant fair value interest rate risk.

The interest rates and maturities of the Group's bank balances, restricted cash and borrowings are disclosed in Notes 16, 17 and 20 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 (other than the Group's bank balances and restricted cash). The details of the Group's exposure to changes in interest rates attributable to its borrowings have been disclosed in Note 20.

At 31 December 2015, 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, pre-tax profit for the year would have been RMB2,052,000 lower/higher (2014: RMB1,136,000 higher/lower).

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.

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 and restricted cash as securities of borrowings. 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 Group's strategy remains consistent throughout the year.

The gearing ratios at 31 December 2015 and 2014 were as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Bank borrowings (Note 20)	**1,217,549**	854,827
Less:		
Cash and cash equivalents (Note 16)	**(470,931)**	(725,234)
Restricted cash as securities of the borrowings (Note 17)	**(232,351)**	(171,400)
Net debt/(credit)	**514,267**	(41,807)
Total equity	**2,118,936**	2,006,858
Total capital	**2,633,203**	1,965,051
Gearing ratio	**19.53%**	N/A

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2015 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy 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).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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

	Level 3 RMB'000	Total RMB'000
Assets		
Financial assets at fair value through profit or loss	43,771	43,771
Total assets	43,771	43,771

Fair value measurements using significant unobservable inputs (level 3)

	Financial assets at fair value through profit or loss RMB'000
Opening balance at 1 January 2015	–
Addition	73,771
Settlements	(30,134)
Gain of settlements of financial assets at fair value through profit or loss (Note 26)	134
Closing balance at 31 December 2015	43,771

The fair value of the financial assets at fair value through profit or loss is estimated by discounting the future cash flows at the current market interest rate available for similar financial instruments.

3.4 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 finance department reports directly to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO and finance 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 products of banks.

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) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.8(a). The recoverable amount of the related cash generating unit has been determined based on value-in-use calculations. These calculations require the use of estimates (Note 8). Where the expectation is different from the original estimate, such difference will impact carrying value of goodwill and impairment loss in the period in which such estimate is changed.

(b) Useful lives of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives and related deprecation and amortisation charges for the property, plant and equipment and intangible assets 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 and amortisation charge where useful lives are different from previously estimated, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold.

(c) 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.

(d) Taxation

The Group primarily operates in the PRC and hence it 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 provision for current income tax and deferred income tax in the period in which such determination is made.

Deferred income 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.

As of 31 December 2015, the Group did not recognise deferred income tax assets of approximately RMB61,082,000 (2014: not applicable) in respect of losses of a newly acquired subsidiary amounting to approximately RMB244,327,000 (2014: not applicable) that can be carried forward against its future taxable income (Note 11). The Directors of the Company are of the view that there are still uncertainty on whether these tax losses can be utilised prior to their expiry dates in view of the newly acquired subsidiary has just commenced its full operations since February 2015 and is still in a loss making position during the year ended 31 December 2015.

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 are located are presented to the chief operating decision maker (the "CODM") (representing the Board of Directors of the Company) who reviews the internal reports in order to assess performance and allocate resources. The CODM considers the Group's business primarily from product perspective and reviews the key financial information (such as revenue and gross profit) of the Bleaching and disinfectant chemical products, Forming agent products and Other specialty chemical products separately on a regular basis. Accordingly, three reportable segments (namely the Bleaching and disinfectant chemicals segment, Forming agent products segment and Other specialty chemicals segment) have been identified for the purpose of segment reporting.

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 revenue for the years ended 31 December 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 statements.

The CODM assesses the performance of the operating segments based on a measure of gross profit. There is no information in relation to segment assets and segment liabilities provided to the CODM.

The segment information provided to the CODM for the reportable segments for the years ended 31 December 2015 and 2014 is as follows:

	Year ended 31 December 2015			
	Bleaching and disinfectant chemicals RMB'000	Forming agent products RMB'000	Other specialty chemicals RMB'000	Total RMB'000
Segment revenue	**1,271,415**	**600,711**	**263,419**	**2,135,545**
Inter-segment revenue	–	–	–	–
Revenue from external customers	**1,271,415**	**600,711**	**263,419**	**2,135,545**
Gross profit	**223,492**	**89,320**	**82,202**	**395,014**
Unallocated				
Depreciation and amortisation				**158,874**
Finance income				**14,585**
Finance expenses				**(97,749)**
Income tax expense				**(43,813)**
Total assets				**3,922,548**
Total liabilities				**1,803,612**

5 SEGMENT INFORMATION *(Continued)*

	Year ended 31 December 2014			
	Bleaching and disinfectant chemicals RMB'000	Forming agent products 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 expenses				(43,106)
Income tax expense				(60,548)
Total assets				3,068,171
Total liabilities				1,061,313

Revenue analysed by geographical area based on the countries in which the customers are located are as below:

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Revenue		
Mainland China	**1,960,876**	1,058,957
Overseas	**174,669**	178,800
	2,135,545	1,237,757

6 LAND USE RIGHTS

	2015 RMB'000	2014 RMB'000
Opening net book amount at 1 January	**72,039**	73,803
Acquisition of a subsidiary (Note 35)	**8,170**	–
Addition	**4,243**	–
Amortisation (Note 23)	**(2,026)**	(1,764)
Closing net book amount at 31 December	**82,426**	72,039
Representing:		
Cost	**100,619**	88,206
Accumulated amortisation	**(18,193)**	(16,167)
Net book value	**82,426**	72,039

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.

As at 31 December 2015, land use rights with net book value of RMB27,964,000 (2014: RMB28,655,000) were secured for bank borrowings (Note 20).

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

7 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2014						
Cost	572,272	1,124,191	10,054	10,721	–	1,717,238
Accumulated depreciation	(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 23)	(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
As 31 December 2014						
Cost	582,676	1,232,148	11,118	10,947	23,911	1,860,800
Accumulated depreciation	(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
Year ended 31 December 2015						
Opening net book amount	**412,201**	**766,855**	**5,008**	**3,971**	**23,911**	**1,211,946**
Additions	**55,180**	**7,784**	**516**	**487**	**434,819**	**498,786**
Transfer upon completion	**62,814**	**395,394**	**–**	**–**	**(458,208)**	**–**
Acquisition of a subsidiary (Note 35)	**93,989**	**187,409**	**134**	**4,911**	**–**	**286,443**
Disposals	**(52)**	**(2,615)**	**(17)**	**(30)**	**–**	**(2,714)**
Depreciation (Note 23)	**(22,755)**	**(117,430)**	**(1,095)**	**(3,114)**	**–**	**(144,394)**
Closing net book amount	**601,377**	**1,237,397**	**4,546**	**6,225**	**522**	**1,850,067**
At 31 December 2015						
Cost	**794,439**	**1,806,781**	**11,272**	**16,056**	**522**	**2,629,070**
Accumulated depreciation	**(193,062)**	**(569,384)**	**(6,726)**	**(9,831)**	**–**	**(779,003)**
Net book amount	**601,377**	**1,237,397**	**4,546**	**6,225**	**522**	**1,850,067**

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 2015 RMB'000	2014 RMB'000
Cost of sales	**136,151**	89,305
Selling and marketing expenses	**184**	107
Administrative expenses	**8,059**	7,642
	144,394	97,054

(b) Rentals expenses amounting to RMB1,476,000 (2014: RMB1,437,000) relating to the lease of property is included in the consolidated statement of comprehensive income (Note 23).

(c) During the year, the Group has capitalised borrowing costs amounting to RMB4,437,000 (2014: RMB602,000) on qualifying assets (Note 28). Borrowing costs were capitalised at the weighted average rate of its general borrowings of 5.28% (2014: 5.86%).

(d) As at 31 December 2015, certain buildings and machinery with an aggregate carrying value of RMB599,879,000 (2014: RMB486,908,000) were secured for bank borrowings (Note 20).

(e) Machinery includes the following amounts where the Group is considered as a lessor under a contractual arrangement as entered into between the Group and a third party customer in 2015 (the "Contractual Arrangement") which contains an operating lease:

	As at 31 December 2015 RMB'000	2014 RMB'000
Cost- operating leases	**35,000**	–
Accumulated depreciation	**–**	–
Net book amount	**35,000**	–

The abovementioned Contractual Arrangement is for a term of 8 years, expiring on 14 January 2023 (the "Contractual Period"). During the Contractual Period, the operations of the machinery as mentioned above together with certain equipment as provided by the customer will be managed by the Group on behalf of the customer to produce bleaching and disinfectant chemicals products which will be sold exclusively to the customer at market prices.

8 INTANGIBLE ASSETS

	Goodwill RMB'000 (Note 35)	Licences RMB'000	Computer Software RMB'000	Technology RMB'000	Total RMB'000
At 1 January 2014					
Cost	–	–	–	4,717	4,717
Accumulated amortisation	–	–	–	(612)	(612)
Net book amount	–	–	–	4,105	4,105
Year ended 31 December 2014					
Opening net book amount	–	–	–	4,105	4,105
Amortisation charge (Note 23)	–	–	–	(394)	(394)
Closing net book amount	–	–	–	3,711	3,711
At 31 December 2014					
Cost	–	–	–	4,717	4,717
Accumulated amortisation	–	–	–	(1,006)	(1,006)
Net book amount	–	–	–	3,711	3,711
Year ended 31 December 2015					
Opening net book amount	–	–	–	3,711	3,711
Additions	–	–	384	–	384
Acquisition of a subsidiary (Note 35)	188,673	131,400	–	–	320,073
Amortisation charge (Note 23)	–	(12,045)	(16)	(393)	(12,454)
Closing net book amount	188,673	119,355	368	3,318	311,714
At 31 December 2015					
Cost	188,673	131,400	384	4,717	325,174
Accumulated amortisation	–	(12,045)	(16)	(1,399)	(13,460)
Net book amount	188,673	119,355	368	3,318	311,714

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

8 INTANGIBLE ASSETS *(Continued)*

Impairment tests for goodwill

The goodwill is arose from the acquisition of Sichuan Minjiang Snow Salt Chemical Industry Co., Ltd. ("Minjiang Snow") which has been operated as a separate cash generating unit ("CGU") subsequent to the completion of the acquisition (Note 35).

The recoverable amount of the CGU of Minjiang Snow is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period (the "Projection Period"). Cash flows beyond the Projection Period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions as adopted by management in the value-in-use calculations for determining the recoverable amount of the goodwill are as follows:

Sales (% annual growth rate)	10.00%–20.00%
Gross margin	17.11%–24.08%
Pre-tax discount rate	14.00%
Long term growth rate beyond the Projection Period	5%

These assumptions have been used for the analysis of the CGU of Minjiang Snow.

Sales is the average annual growth rate over the five-year forecast period. It is based on management's expectation of market development, current industry trends and long term inflation forecasts for the Mainland China.

Gross margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on the current sales margin levels and sales mix, with adjustments made to reflect the expected future price rises in key raw materials, which management does not expect to be able to pass on to customers through price increases.

The long term growth rates used are consistent with the forecasts based on the management judgement. The discount rates used are post-tax and reflect specific risks relating to the CGU of Minjiang Snow.

The following changes in assumptions would cause the recoverable amount to fall below the carrying value:

- An increase in the discount rate from the 14.00% assumption applied to a revised assumption of 19.50% or more.

- A reduction in the sales growth rate from the 10.00%–20.00% assumption applied to a revised assumption of 7.70%–17.70% or less.

9 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables RMB'000	Assets at fair value through the profit or loss RMB'000	Total RMB'000
At 31 December 2015			
Assets as per balance sheet			
Trade and other receivables excluding prepayments	**471,366**	**–**	**471,366**
Financial assets at fair value through profit or loss	**–**	**43,771**	**43,771**
Cash and cash equivalents	**470,931**	**–**	**470,931**
Restricted cash	**297,961**	**–**	**297,961**
Total	**1,240,258**	**43,771**	**1,284,029**

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Liabilities as per balance sheet		
Borrowings	**1,217,549**	**1,217,549**
Trade and other payables excluding non–financial liabilities	**475,393**	**475,393**
Total	**1,692,942**	**1,692,942**

	Loans and receivables RMB'000	Assets at fair value through the profit or loss RMB'000	Total RMB'000
At 31 December 2014			
Assets as per balance sheet			
Trade and other receivables excluding prepayments	224,620	–	224,620
Cash and cash equivalents	725,234	–	725,234
Restricted cash	303,618	–	303,618
Total	1,253,472	–	1,253,472

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Liabilities as per balance sheet		
Borrowings	854,827	854,827
Trade and other payables excluding non–financial liabilities	172,198	172,198
Total	1,027,025	1,027,025

10(A) SUBSIDIARIES

As at 31 December 2015, the Company has direct and indirect interests in the following subsidiaries:

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Effective interest held
Yihua Sub-Holding Alpha (BVI) Limited*	BVI/ Limited liability company	Investment holding in Cayman	USD1	100%
Yihua Sub-Holding Beta (BVI) Limited*	BVI/ Limited liability company	Investment holding in Cayman	USD1	100%
Longpower Corporation Limited	HK/ Limited liability company	Investment holding in Hong Kong	HKD1	100%
Sun Champ Group Holdings Limited	HK/ Limited liability company	Investment holding in Hong Kong	HKD1	100%
Fujian Rongchang Chemical Co., Ltd.	PRC/ Limited liability company	Manufacturing and sale of chemical products in Mainland China	RMB313,851,800	100%
Fujian Rongping Chemical Co., Ltd.	PRC/ Limited liability company	Manufacturing and sale of chemical products in Mainland China	RMB254,500,000	100%
Fuzhou Yihua Chemical Stock Co., Ltd.	PRC/ Limited liability company	Manufacturing and sale of chemical products in Mainland China	RMB240,000,000	100%
Fujian Jinrong Technical Co., Ltd.	PRC/ Limited liability company	Manufacturing and sale of chemical products in Mainland China	RMB100,000,000	100%
Sichuan Minjiang Snow Salt Chemical Industry Co., Ltd.	PRC/ Limited liability company	Manufacturing and sale of chemical products in Mainland China	RMB42,857,140	100%
Maoxian Xin Salt Chemical Co., Ltd.	PRC/ Limited liability company	Manufacturing and sale of chemical products in Mainland China	RMB30,000,000	100%
Chengdu Minjiang Salt Chemical Co., Ltd.	PRC/ Limited liability company	Manufacturing and sale of chemical products in Mainland China	RMB5,000,000	100%

* Directly held by the Company

10(B) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Year ended 31 December 2015 RMB'000	2014 RMB'000
Beginning of year	**112,704**	–
Additions	–	110,000
Change the equity interests in Minjiang Snow from associate to subsidiary (Note)	–	–
Share of (losses)/profits of associates	**(1,813)**	2,704
End of year	**110,891**	112,704

Note:

On 12 April 2013, the Group acquired 30% of the equity interest of Sichuan Minjiang Snow Chemical Co., Ltd. ("Minjiang Snow"), a Chinese sodium chlorate production base, at nil consideration.

The Group had not shared any of the post-acquisition losses of Minjiang Snow in the past as the Group had no obligations to make payments on behalf of the associate. Therefore, the carrying amount of the Group's interest in Minjiang Snow as of 31 December 2014 was zero.

On 1 February 2015, the Group acquired a further 70% of the equity interest in Minjiang Snow and thereby obtained the control over Minjiang Snow which become a subsidiary of the Company since then (Note 35).

Resulting from this step-up acquisition of equity interest in Minjiang Snow, the Group has recognised a gain of approximately RMB12,857,000 (as recorded in Gain on disposal of previous investments accounted for using equity method) in 2015 as a result of measuring at fair value the Group's 30% equity interest in Minjiang Snow held before the business combination.

Set out below are the associates of the Group as at 31 December 2015:

Name of entity	Place of business and country of incorporation	% of ownership interest	Measurement method
Jiangxi Zhengge Investment Stock Co., Ltd. ("Jiangxi Zhengge)	PRC	45	Equity
Fujian Nanping Rongxin Trading Co., Ltd. ("Rongxin Trading")	PRC	40	Equity

On 1 December 2014, the Group acquired 45% of ownership interest in Jiangxi Zhengge at the consideration of RMB80,000,000. Jiangxi Zhengge manufactures water-treatment chemicals, and its main products include sodium chlorate and hydrogen peroxide. The business of this associate mainly is conducted in Jiangxi, Guangdong and Hunan provinces.

On 10 December 2014, the Group acquired 40% of ownership interest in Rongxin Trading at the consideration of RMB30,000,000. Rongxin Trading is a chemical products trading company and keeps a long-term business relationship with the Group. The main products it trades include caustic soda, hydrogen peroxide, biruea, urea, industrial salt and AC foaming agent, which are main raw materials and output products of the Group.

As at 31 December 2014, the fair value assessment for the purchase price allocations ("FV assessment for PPA work") under IFRS 3 for 45% equity interest in Jiangxi Zhengge and 40% equity interest in Rongxin Trading had not yet been completed and the provisional amounts for the assets and liabilities were reported for 2014.

10(B) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

As at 31 December 2015, the FV assessment for PPA work for these investment were completed. There were no significant new information obtained about facts and circumstances that existed as of the acquisition date in 2014 as compared to 31 December 2015. As such, no adjustments to the provisional amounts of assets and liabilities are required as at 31 December 2015.

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.

Summarised financial information for associates

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

Summarised balance sheet — As at 31 December 2015 and 2014

	Jiangxi Zhengge		Rongxin Trading		Total	
	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current						
Cash and cash equivalents	13,452	921	15,385	24,764	28,837	25,685
Other current assets (excluding cash)	133,095	156,007	73,562	83,080	206,657	239,087
Total current assets	146,547	156,928	88,947	107,844	235,494	264,772
Financial liabilities (excluding trade payables)	(205,800)	(63,800)	–	–	(205,800)	(63,800)
Other current liabilities (including trade payables)	(170,924)	(263,039)	(15,367)	(36,948)	(186,291)	(299,987)
Total current liabilities	(376,724)	(326,839)	(15,367)	(36,948)	(392,091)	(363,787)
Non-current						
Assets	411,189	442,306	3,878	4,137	415,067	446,443
Total non-current assets	411,189	442,306	3,878	4,137	415,067	446,443
Financial liabilities	–	(85,000)	–	–	–	(85,000)
Other liabilities	(3,439)	(3,637)	–	–	(3,439)	(3,637)
Total non-current liabilities	(3,439)	(88,637)	–	–	(3,439)	(88,637)
Net assets	177,573	183,758	77,458	75,033	255,031	258,791

10(B) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

Summarised statement of comprehensive income — For the years ended 31 December 2015 and 2014

	Jiangxi Zhengge		Rongxin Trading		Total	
	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**271,275**	31,548	**99,859**	10,101	**371,134**	41,649
Cost of sales	**(244,313)**	(21,637)	**(94,057)**	(9,861)	**(338,370)**	(31,498)
Selling and marketing expenses	**(7,496)**	(86)	**(669)**	(25)	**(8,165)**	(111)
Administrative expenses	**(14,509)**	(30)	**(1,342)**	(93)	**(15,851)**	(123)
Finance expenses — net	**(12,123)**	(143)	**(30)**	(2)	**(12,153)**	(145)
(Loss)/profit before income tax	**(6,185)**	3,588	**3,233**	17	**(2,952)**	3,605
Income tax expense	**–**	(897)	**(808)**	(4)	**(808)**	(901)
Profit and total comprehensive (loss)/income for the year	**(6,185)**	2,691	**2,425**	13	**(3,760)**	2,704

The information above reflects the amounts presented in financial statements of the associates (and not the Group's share of those amounts). The associates have adopted accounting policies which are consistent with the Group's significant accounting policies.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in associates:

Summarised financial information

	Jiangxi Zhengge		Rongxin Trading		Total	
	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening net assets	**183,758**	78,567	**75,033**	45,020	**258,791**	123,587
(Loss)/profit for the year	**(6,185)**	2,691	**2,425**	13	**(3,760)**	2,704
Proceeds from equity investments	**–**	102,500	**–**	30,000	**–**	132,500
Closing net assets	**177,573**	183,758	**77,458**	75,033	**255,031**	258,791
Interest in associates (45%; 40%)	**79,908**	82,691	**30,983**	30,013	**110,891**	112,704
Carrying value	**79,908**	82,691	**30,983**	30,013	**110,891**	112,704

11 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December 2015 RMB'000	2014 RMB'000
Deferred income tax assets:		
— Deferred income tax assets to be recovered within 12 months	**3,069**	914
Deferred income tax liabilities:		
— Deferred income tax liabilities to be recovered after more than 12 months	**(25,247)**	–
— Deferred income tax liabilities to be recovered within 12 months	**(3,209)**	(743)
	(28,456)	(743)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets	Employee benefit obligation RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2014	482	–	943	1,425
Charged to profit or loss	(38)	–	(473)	(511)
At 31 December 2014	444	–	470	914
At 1 January 2015	**444**	**–**	**470**	**914**
Credited/(charged) to profit or loss	**(444)**	**3,069**	**(470)**	**2,155**
At 31 December 2015	**–**	**3,069**	**–**	**3,069**

11 DEFERRED INCOME TAX *(Continued)*

Deferred income tax liabilities	Bargain purchase RMB'000	Business combination RMB'000	Total RMB'000
At 1 January 2014	(743)	–	(743)
Charged to profit or loss	–	–	–
At 31 December 2014	(743)	–	(743)
At 1 January 2015	**(743)**	**–**	**(743)**
Acquisition of a subsidiary (Note 35)	**–**	**(31,410)**	**(31,410)**
Credited to profit or loss	**743**	**2,954**	**3,697**
At 31 December 2015	**–**	**(28,456)**	**(28,456)**

Deferred income tax assets are recognised for tax losses as carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately RMB61,082,000 (2014: not applicable) in respect of losses of a newly acquired subsidiary amounting to approximately RMB244,327,000 (2014: not applicable) that can be carried forward against its future taxable income. Those unrecognised deductible losses are expiring as follows:

Year	2015 RMB'000	2014 RMB'000
2016	**63,611**	–
2017	**46,252**	–
2018	**76,237**	–
2019	**334**	–
2020	**57,893**	–
	244,327	–

Deferred income tax liabilities of approximately RMB138,665,000 (2014: RMB126,116,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of the subsidiaries in Mainland China. Such amounts are expected to be permanently reinvested in these subsidiaries. At 31 December 2015, the unremitted earnings of these subsidiaries amounted to approximately RMB1,386,650,000 (2014: RMB1,261,157,000).

12 OTHER NON-CURRENT ASSETS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Prepayment for acquisition of additional equity interests in an associate	–	125,000
Prepayment of purchases of property, plant and equipment	**7,400**	83,230
Long-term deposit (Note)	**14,435**	–
Long-term prepaid expenses (Note)	**5,565**	–
	27,400	208,230

Note: Pursuant to the contractual arrangement as mentioned in Note 7(e), the Group has paid a deposit of RMB20,000,000 to the counter-party as the security for the uses of the related equipment as provided by the counter-party (the "Deposit"). The Deposit is non-interest bearing and will be refunded to the Group upon the expiry of the contractual period on 14 January 2023. The Deposit (net of the fair value adjustment upon its initial recognition) has been accounted for as a long-term deposit. Considering the payment of the Deposit is part of the precondition as set out in the aforesaid contractual arrangement, the fair value adjustment upon the initial recognition of the Deposit of approximately RMB5,565,000 has been accounted for as long-term prepaid expenses and will be amortised and recognised in profit or loss on a straight-line basis over the contractual period.

13 INVENTORIES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Raw materials	**18,751**	14,584
Work in progress	**175,764**	134,715
Finished goods	**42,303**	17,180
	236,818	166,479

The cost of inventories recognised as expense and included in 'cost of sales' for the year ended 31 December 2015 amounted to approximately RMB1,094,953,000 (2014: RMB448,768,000).

14 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trade receivables (a)		
Due from third parties	**418,108**	162,903
Less: Provision for impairment of receivables	**–**	(1,598)
	418,108	161,305
Bills receivables	**438**	–
Prepayments		
Prepayments for purchases of raw materials from a related party (Note 36(e))	**–**	25,343
Prepayments for purchases raw materials from third parties	**7,379**	1,633
	7,379	26,976
Value-added tax input credits	**8,755**	11,700
Other receivables (b)		
Due from third parties	**14,127**	2,222
Due from a related party (Note 36(e))	**38,693**	61,093
	52,820	63,315
	487,500	263,296

(a) The Group has a large number of customers, which are widely dispersed within the PRC and Southeast Asia. The outstanding balances are within credit terms of between 30 days and 90 days for both domestic and overseas customers. There is no concentration of credit risk with respect to trade receivables. As at 31 December 2015 and 2014, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Within 3 months	**414,619**	161,305
Between 4 and 6 months	**307**	–
Between 7 and 12 months	**1,012**	–
Between 1 and 2 years	**1,635**	–
Above 2 years	**535**	1,598
	418,108	162,903

14 TRADE AND OTHER RECEIVABLES *(Continued)*

As of 31 December 2015, trade receivables of RMB3,489,000 (2014: Nil) 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 that the overdue amounts can be recovered. The ageing analysis of these past due but not impaired receivables is as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Between 4 and 6 months	**307**	–
Between 7 and 12 months	**1,012**	–
Between 1 and 2 years	**1,635**	–
Above 2 years	**535**	–
	3,489	–

As of 31 December 2015, there was no trade receivables which are past due and consolidated as impaired. As at 31 December 2014, trade receivables of approximately RMB1,598,000 were past due and considered as impaired. The individually impaired receivables mainly related to several customers, which were in unexpectedly difficult economic situation. It was assessed that the receivables were not expected to be recovered. The ageing of these receivables were as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Above 2 years	**–**	1,598

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

Movements on the Group's allowance for impairment of trade receivables are as follows:

	2015	2014
	RMB'000	RMB'000
At 1 January	**1,598**	799
Provision for receivables impairment	**–**	799
Receivables written off during the year as uncollectible	**(1,598)**	–
At 31 December	**–**	1,598

14 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Other receivables

	As at 31 December 2015 RMB'000	2014 RMB'000
Advance to employees	**141**	13
Interest receivables	**7,685**	–
Loans to a related party (Note 36(e))	**38,693**	61,093
Deposits	**4,371**	205
Others	**1,930**	2,004
	52,820	63,315

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

	As at 31 December 2015 RMB'000	2014 RMB'000
RMB	**479,629**	245,959
USD	**7,871**	15,759
HKD	**–**	1,578
	487,500	263,296

(d) The carrying amounts of trade and other receivables approximate their fair values.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2015 RMB'000	2014 RMB'000
Financial products as designed by a financial institution	**43,771**	–

During the year ended 31 December 2015, the gain on settlements of financial assets at fair value through profit or loss amounted to approximately RMB134,000 which has been recognised as "other losses — net" in the consolidated statement of comprehensive income.

The fair value of the financial assets at fair value through profit or loss is determined by using the valuation technique of discounting the future cash flows at the expected yield rate with reference to the benchmark yield rate of the financial investment products of banks.

16 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Cash in hand	**80**	74
Bank deposits	**470,851**	725,160
	470,931	725,234

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
RMB	**469,760**	711,508
USD	**1,154**	8,148
HKD	**17**	5,578
	470,931	725,234

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.

17 RESTRICTED CASH

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Current		
— restricted for borrowings (a)	**125,701**	171,400
— restricted for issue of bills payable (b)	**65,610**	132,218
	191,311	303,618
Non-current		
— restricted for borrowings (a)	**106,650**	–
Total restricted cash	**297,961**	303,618

(a) As at 31 December 2015, deposits held at bank of approximately RMB232,351,000 (2014: RMB171,400,000) have been restricted for securing borrowings of approximately RMB505,473,000 (2014: RMB173,487,000) (Note 20). These deposits earn interest income at fixed interest rates ranging from 2.30% to 4.40% (2014: 2.85% to 4.40%) per annum.

(b) As at 31 December 2015, deposits held at bank of approximately RMB65,610,000 (2014: RMB132,218,000) have been restricted for securing the issue of bills payable to the Group's suppliers of approximately RMB191,910,000 (2014: RMB108,780,000) (Note 22).

(c) All of the Group's restricted cash is denominated in RMB.

18 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000
Ordinary shares, issued and fully paid of HK$0.1 per share:			
As at 31 December 2014 and 2015	802,191,000	80,219	65,346

19 OTHER RESERVES AND RETAINED EARNINGS

		Other reserves					
	Note	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve (Note) RMB'000	Share-based payment reserve RMB'000	Total RMB'000	Retained earnings RMB'000
Balance at 1 January 2014		317,328	305,700	152,121	4,951	780,100	1,014,644
Profit for the year		–	–	–	–	–	170,754
Profit appropriations to statutory reserves		–	–	17,791	–	17,791	(17,791)
Share-based payment expense		–	–	–	870	870	–
Dividends distribution	31	(24,856)	–	–	–	(24,856)	–
Balance at 31 December 2014		292,472	305,700	169,912	5,821	773,905	1,167,607
Balance at 1 January 2015		**292,472**	**305,700**	**169,912**	**5,821**	**773,905**	**1,167,607**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**129,043**
Profit appropriations to statutory reserves		**–**	**–**	**14,557**	**–**	**14,557**	**(14,557)**
Dividends distribution	**31**	**(16,965)**	**–**	**–**	**–**	**(16,965)**	**–**
Balance at 31 December 2015		**275,507**	**305,700**	**184,469**	**5,821**	**771,497**	**1,282,093**

Note:

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, provided that such reserve is maintained at a minimum of 25% of the companies' registered capital.

20 BORROWINGS

	As at 31 December 2015 RMB'000	2014 RMB'000
Non-current		
Bank borrowings	364,453	347,253
Borrowing from other financial institution	18,908	–
	383,361	347,253
Current		
Current portion of long-term bank borrowings	237,521	127,011
Short-term bank borrowings	577,154	380,563
Borrowing from other financial institution	19,513	–
	834,188	507,574
Total borrowings	1,217,549	854,827

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

	As at 31 December 2015 RMB'000	2014 RMB'000
Non-current		
Borrowings secured by:		
— Machinery, buildings and land use rights	112,837	152,404
— Restricted cash	155,596	76,543
	268,433	228,947
Guaranteed borrowings*	10,309	118,306
	278,742	347,253
Current		
Borrowings secured by:		
— Machinery, buildings and land use rights	360,179	101,720
— Restricted cash	349,877	96,944
	710,056	198,664
Guaranteed borrowings*	72,183	308,910
	782,239	507,574

* As at 31 December 2015, guaranteed borrowings of approximately of RMB82,492,000 (2014: RMB427,216,000) are drawn down by subsidiaries and were guaranteed by other subsidiaries of the Group.

20. BORROWINGS *(Continued)*

(b) The Group's borrowing were repayable as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Within 1 year	**834,188**	507,574
Between 1 and 2 years	**213,733**	162,129
Between 2 and 5 years	**169,628**	158,526
Over 5 years	**–**	26,598
	1,217,549	854,827

(c) 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	
	2015	2014
	RMB'000	RMB'000
Borrowings		
— fixed rates	**709,876**	163,320
— floating rates	**507,673**	691,507
	1,217,549	854,827

The weighted average effective interest rates (per annum) of the borrowing are set out as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Bank borrowings	**4.49%**	5.62%

The carrying amount for the current borrowings approximate their fair values because of their short-term maturities. The carrying amount for non-current borrowings approximate their fair values because the borrowings bear floating market interest rates.

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
RMB	**709,877**	216,010
HKD	**37,681**	11,837
USD	**469,991**	626,980
	1,217,549	854,827

21 DEFERRED INCOME

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

	2015 RMB'000	2014 RMB'000
Opening net book amount at 1 January	**12,504**	14,006
Amortisation	**(1,502)**	(1,502)
Closing net book amount at 31 December	**11,002**	12,504
Representing:		
Cost	**17,730**	17,730
Accumulated amortisation	**(6,728)**	(5,226)
Net book amount	**11,002**	12,504

22 TRADE AND OTHER PAYABLES

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Trade payables (a)		
Due to third parties	**131,049**	22,820
Due to a related party	**22,218**	–
	153,267	22,820
Bills payable (b)		
Due to third parties	**191,910**	108,780
Other payables and accruals (c)		
Due to third parties	**180,580**	55,768
	525,757	187,368

(a) Details of ageing analysis of trade payables based on invoice date were as follows:

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Within 3 months	**148,260**	22,805
Between 4 and 6 months	**2,662**	–
Between 7 and 12 months	**1,459**	–
Between 1 and 2 years	**806**	15
Above 2 years	**80**	–
	153,267	22,820

(b) As at 31 December 2015, the entire balances of bills payable were secured by restricted cash of approximately RMB65,610,000 (2014: RMB132,218,000) (Note 17).

22 TRADE AND OTHER PAYABLES *(Continued)*

(c) Other payables and accruals are analysed as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Advance from customers	**25,378**	337
Payable for purchases of property, plant and equipment	**57,801**	21,633
Freight charges	**18,542**	6,360
Water and electricity	**5,414**	3,103
Salary and welfare payable	**18,191**	8,552
Taxes	**3,487**	2,591
Withholding tax	**701**	1,168
Interest payable	**3,840**	5,378
Amount due to the former shareholder of a newly acquired subsidiary	**12,587**	–
Amount due to a third party	**19,108**	–
Others	**15,531**	6,646
	180,580	55,768

(d) All of the Group's trade and other payables are denominated in RMB.

23 EXPENSES BY NATURE

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Changes in inventories of finished goods and work in progress	**(66,172)**	(14,494)
Raw materials used	**1,161,125**	463,262
Depreciation of property, plant and equipment (Note 7)	**144,394**	97,054
Electricity and other utility fees	**428,246**	272,791
Employee benefit expenses (Note 24)	**88,471**	67,211
Transportation and related charges	**62,491**	33,397
Tax and surcharges	**11,824**	10,771
Amortisation of land use rights (Note 6)	**2,026**	1,764
Amortisation of intangible assets (Note 8)	**12,454**	394
Office and entertainment expenses	**8,271**	10,058
Operating lease expenses (Note 7)	**1,476**	1,437
Property insurance fee	**2,957**	2,089
Travelling expenses	**1,818**	1,281
Repairs and maintenance	**9,275**	9,092
Auditor's remuneration	**4,000**	3,300
— Audit services	**4,000**	3,300
— Non-audit services	**–**	–
Research and development costs	**750**	1,358
Impairment loss for trade and other receivables	**–**	799
Other expenses	**18,343**	9,453
Total cost of sales, selling and marketing expenses and administrative expenses	**1,891,749**	971,017

24 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December 2015 RMB'000	2014 RMB'000
Wages, salaries and bonuses	**64,726**	50,571
Contributions to pension plan (a)	**11,651**	9,103
Welfare and other expenses	**12,094**	6,667
Pre-IPO option scheme expense	**–**	870
	88,471	67,211

(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 each financial year.

(b) **Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include four (2014: four) directors whose emoluments are reflected in the analysis shown in Note 38. The emoluments payable to the remaining one (2014: one) individual during the year are as follows:

	2015 RMB'000	2014 RMB'000
Basic salaries, housing allowances and other allowances	**429**	400
Contribution to pension scheme	**18**	27
Bonuses	**9**	–
	456	427

The emoluments fell within the following bands:

	Number of individual 2015	2014
Emolument bands (in HK dollar)		
Nil–HK$1,000,000 (equivalent to approximately Nil–RMB838,000)	**1**	1

25 OTHER INCOME

	Year ended 31 December 2015 RMB'000	2014 RMB'000
Government grant income	**2,903**	2,183
Others	**532**	–
	3,435	2,183

26 OTHER LOSSES — NET

	Year ended 31 December 2015 RMB'000	2014 RMB'000
Loss on disposals of property, plant and equipment	**2,389**	1,153
Gain of disposal of financial assets at fair value through profit or loss	**(134)**	–
	2,255	1,153

27 FINANCE INCOME

	Year ended 31 December 2015 RMB'000	2014 RMB'000
Interest income from bank deposits	**14,585**	3,934

28 FINANCE EXPENSES

	Year ended 31 December 2015 RMB'000	2014 RMB'000
Interest expenses:		
— Bank borrowings	**58,542**	40,551
— Discount interest for bill payables	**6,272**	2,400
	64,814	42,951
Less: Interest capitalised in property, plant and equipment	**(4,437)**	(602)
	60,377	42,349
Other finance charges	**4,011**	3,155
Net foreign exchange losses/(gains) on financing activities	**33,361**	(2,398)
	97,749	43,106

29 INCOME TAX EXPENSE

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Current income tax		
— PRC enterprise income tax (a)	**49,093**	60,013
— Hong Kong profits tax (b)	**572**	24
	49,665	60,037
Deferred income tax (credit)/charge (Note 11)	**(5,852)**	511
	43,813	60,548

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit/losses of the consolidated entities as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit before income tax	**172,856**	231,302
Tax calculated at domestic tax rates applicable to profits in the respective countries	**42,500**	57,813
Expenses not deductible for tax purposes	**860**	3,411
Tax effect of associates' results reported net of tax	**453**	(676)
	43,813	60,548

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

(b) Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the years ended 31 December 2015 and 2014.

30 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 2015	2014
Profit attributable to equity holders of the Company (RMB'000)	**129,043**	170,754
Weighted average number of ordinary shares in issue (thousand)	**802,191**	802,191
Basic earnings per share (RMB Yuan)	**0.16**	0.21

(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.

Diluted earnings per share is same as basic earnings per share as there were no dilutive potential ordinary shares outstanding as of 31 December 2015 and 2014.

31 DIVIDENDS

The dividends paid in 2015 of approximately HKD21,498,000 (HKD0.0268 per share), equivalent to approximately RMB16,965,000 related to the final dividend for the year ended 31 December 2014 (2014: HKD31,302,000 (HKD0.0390 per share), equivalent to approximately RMB24,856,000 related to the final dividend for the year ended 31 December 2013).

A dividend in respect of the year ended 31 December 2015 of HKD0.0192 per share, amounting to a total dividend of HKD15,402,000 (equivalent to approximately RMB12,904,000), is to be proposed at the annual general meeting on 20 June 2016. The consolidated financial statements do not reflect this dividend payable.

	Year ended 31 December 2015 RMB'000	2014 RMB'000
Payment of dividend declared for the prior year of HKD0.0268 (2014: HKD0.0390) per ordinary share	**16,965**	24,856
Proposed final dividend for the year of HKD0.0192 (2014: HKD0.0268) per ordinary share	**12,904**	17,075

32 CASH GENERATED FROM OPERATIONS

	Year ended 31 December 2015 RMB'000	2014 RMB'000
Profit before income tax	**172,856**	231,302
Adjustments for:		
— Depreciation (Note 7)	**144,394**	97,054
— Amortisation of land use rights (Note 6)	**2,026**	1,764
— Amortisation of intangible assets (Note 8)	**12,454**	394
— Deferred income amortisation (Note 21)	**(1,502)**	(1,502)
— Finance income (Note 27)	**(14,585)**	(3,934)
— Finance expenses (Note 28)	**97,749**	43,106
— Loss on disposals of property, plant and equipment (Note 26)	**2,389**	1,153
— Gain on disposal of previous investments accounted for using equity method	**(12,857)**	–
— Share of losses/(profits) of associates	**1,813**	(2,704)
— Gain of disposal of financial assets at fair value through profit or loss (Note 26)	**(134)**	–
— Pre-IPO Option Scheme expense (Note 33(a))	**–**	870
Changes in working capital (excluding the effect of acquisition of a subsidiary)		
— Inventories	**16,180**	(10,478)
— Trade and other receivables	**(272,036)**	40,729
— Trade and other payables	**(15,912)**	(75,083)
Cash generated from operations	**132,835**	322,671

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2015 RMB'000	2014 RMB'000
Net book amount (Note 7)	**2,714**	2,133
Loss on disposal of property, plant and equipment (Note 26)	**(2,389)**	(1,153)
Proceeds from disposal of property, plant and equipment	**325**	980

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 will vest in three instalments at each of the first three anniversaries of the listing date and will only become exercisable from the respective vesting dates up to the third anniversary of the listing date. Commencing from the first, second and third anniversaries of the date of grant of an option, the relevant grantee may exercise up to 30%, 60%, and 100%, respectively, of the shares comprised in his or her option.

16,000,000 options had been granted in 2012 under the Pre-IPO Option Scheme and these granted options have not been exercised and were all expired by the end of 2014.

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 profit or loss over the vesting period of the options. As all options have been vested by the end of 2014. As such, no share option expense was charged to profit or loss during the year ended 31 December 2015 (2014: RMB870,000).

(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 of 31 December 2015 (2014: Nil).

34 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for the year end but not yet incurred is as follow:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Property, plant and equipment	**9,720**	83,130

(b) Operating lease commitments — the Group as a lessee

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	
	2015	2014
	RMB'000	RMB'000
No later than 1 year	**1,651**	1,391
1–5 years	**4,309**	4,621
	5,960	6,012

35 BUSINESS COMBINATION

As mentioned in 10(b)(i), on 12 April 2013, the Group acquired 30% of the equity interest of Minjiang Snow. On 1 February 2015, the Group acquired a further 70% of the equity interest in Minjiang Snow at a total consideration of approximately RMB262,857,000 and obtained the control over Minjiang Snow.

As a result of the acquisition, the Group is expected to increase its presence in bleaching and disinfectant chemicals market. 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.

35 BUSINESS COMBINATION *(Continued)*

The following table summarises the consideration transferred for the acquisition of Minjiang Snow, and the fair values of the assets acquired/recognised and liabilities assumed at the acquisition date.

	RMB'000
Consideration	
At 1 February 2015	
— Payment for acquisition of 70% in Minjiang Snow in January 2015	125,000
— Prepayment for acquisition of 70% in Minjiang Snow in December 2014	125,000
Total payments made	250,000
Fair value of equity interest in Minjiang Snow held before the business combination	12,857
Total consideration transferred	262,857
Recognised amounts of identifiable assets and liabilities acquired	
Cash and cash equivalents	1,717
Property, plant and equipment	286,443
Intangibles:	
— Land use right	8,170
— Licenses	131,400
Other non-current assets	7,438
Inventories	86,519
Trade and other receivables	27,963
Payables	(286,409)
Employee benefit liabilities	(7,647)
Borrowings	(150,000)
Deferred income tax liabilities	(31,410)
Total identifiable net assets	74,184
Goodwill (Note 8)	188,673
Total consideration	262,857

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

Resulting from the step-up acquisition of equity interest in Minjiang Snow, the Group has recognised a gain of approximately RMB12,857,000 through profit or loss as a result of measuring at fair value the Group's 30% equity interest in Minjiang Snow held before the business combination.

The revenue included in the consolidated statement of comprehensive income since 1 February 2015 contributed by Minjiang Snow was approximately RMB311,568,000. Minjiang Snow also contributed net loss of approximately RMB2,240,000 over the same period.

Had Minjiang Snow been consolidated from 1 January 2015, the consolidated statement of comprehensive income would show pro-forma revenue of approximately RMB2,159,351,000 and profit of approximately RMB84,500,000.

36 RELATED PARTIES TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with related parties:

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	
	2015	2014
	RMB'000	RMB'000
Associates	–	8,104

(b) Purchases of goods from related parties

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Associates	**54,737**	89,096

(c) Prepayment in relation to purchases of goods

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Associates	–	25,343

36 RELATED PARTIES TRANSACTIONS *(Continued)*

(d) Repayments/(advance) of loans from/(to) a related party

	Year ended 31 December 2015 RMB'000	2014 RMB'000
Associate	**22,400**	(61,093)

The loans to the associate are unsecured and non-interest bearing. The loans were originally repayable on 27 February 2015 and 23 March 2015. During the year ended 31 December 2015, the Group has granted an extension on the repayment of the loans and the remaining outstanding loans are to be repayable by the associate on or before 31 December 2016.

(e) Year-end balances

	As at 31 December 2015 RMB'000	2014 RMB'000
Loans to a related party		
Associate	**38,693**	61,093
Prepayment to a related party		
Associate	**–**	25,343
Trade payable to a related party		
Associate	**22,218**	–

(f) Key management compensation:

	Year ended 31 December 2015 RMB'000	2014 RMB'000
Salaries, wages and bonuses	**8,752**	5,074
Contributions to pension plan	**428**	248
Pre-IPO option scheme expenses	**–**	651
	9,180	5,973

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

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**1,449,426**	1,449,426
Other receivables	**362,372**	365,705
	1,811,798	1,815,131
Current assets		
Cash and cash equivalents	**159**	97
Total assets	**1,811,957**	1,815,228
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	**65,346**	65,346
Other reserves	**1,774,323**	1,791,288
Accumulated losses	**(27,712)**	(41,406)
Total equity	**1,811,957**	1,815,228
Total liabilities	**–**	–
Total equity and liabilities	**1,811,957**	1,815,228

The balance sheet of the Company was approved by the Board of Directors on 24 March 2016 and was signed on its behalf

CHEN HONG
Director

MIAO FEI
Director

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Reserve movement of the Company

	Note	Other reserves				
		Share premium RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Total RMB'000	Accumulated losses RMB'000
Balance at 1 January 2014		317,328	1,492,995	4,951	1,815,274	(37,242)
Loss for the year		–	–	–	–	(4,164)
Share-based payment expense		–	–	870	870	–
Dividends distribution	31	(24,856)	–	–	(24,856)	–
Balance at 31 December 2014		292,472	1,492,995	5,821	1,791,288	(41,406)
Balance at 1 January 2015		**292,472**	**1,492,995**	**5,821**	**1,791,288**	**(41,406)**
Profit for the year		**–**	**–**	**–**	**–**	**13,694**
Dividends distribution	31	**(16,965)**	**–**	**–**	**(16,965)**	**–**
Balance at 31 December 2015		**275,507**	**1,492,995**	**5,821**	**1,774,323**	**(27,712)**

38 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2015:

Name	Salary RMB'000	Housing allowance RMB'000	Pre-IPO option scheme expense RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Mr. Liem Djiang Hwa	**600**	**–**	**–**	**–**	**600**
Mr. Chen Hong	**800**	**7**	**–**	**16**	**823**
Ms. Miao Fei	**600**	**7**	**–**	**16**	**623**
Mr. Lam Wai Wah	**600**	**–**	**–**	**–**	**600**
Mr. Chen Xiao (Note (i))	**66**	**–**	**–**	**–**	**66**
Mr. Kou Huizhong	**134**	**–**	**–**	**–**	**134**
Mr. Li Junfa (Note (i))	**66**	**–**	**–**	**–**	**66**
Mr. Wang Xin (Note (ii))	**45**	**–**	**–**	**–**	**45**
Mr. Lin Zhang (Note (iii))	**45**	**–**	**–**	**–**	**45**
Chief executives:					
Mr. Tan Boon Chek	**360**	**–**	**–**	**–**	**360**
Mr. Zhang Heng	**360**	**–**	**–**	**–**	**360**

Notes:

(i) Resigned on 18 June 2015.

(ii) Appointed on 28 August 2015.

(iii) Appointed on 2 September 2015.

38 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

Certain of the comparative information of directors' emoluments for the year ended 31 December 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap.622).

For the year ended 31 December 2014:

Name	Salary RMB'000	Housing allowance RMB'000	Pre-IPO option scheme expense RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Mr. Liem Djiang Hwa	360	–	–	–	360
Mr. Chen Hong	767	7	217	16	1,007
Ms. Miao Fei	583	7	217	16	823
Mr. Lam Wai Wah	583	–	217	–	800
Mr. Chen Xiao	132	–	43	–	175
Mr. Kou Huizhong	132	–	22	–	154
Mr. Li Junfa	132	–	22	–	154
Chief executives:					
Mr. Tan Boon Chek	360	–	43	–	403
Mr. Zhang Heng	360	–	86	–	446

Notes:

(i) Resigned on 18 June 2015.

(ii) Appointed on 28 August 2015.

(iii) Appointed on 2 September 2015.

(b) Director's retirement benefits

No retirement benefit were paid during the year ended December 2015 to or receivable by any independent director in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2014: Nil).

(c) Directors' termination benefits

On 18 June 2015, the Board made a resolution to terminate the appointment of Mr. Chen Xiao and Mr. Li Junfa as the independent directors of the Company. In agreement with Mr. Chen Xiao and Mr. Li Junfa, the Company is not obliged to make any payment to Mr. Chen Xiao and Mr. Li Junfa as compensation.

(d) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

38 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(e) Information about loans, quasi-loans or other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans or other dealings in favour of the director, his controlled bodies corporate and connected entities (2014: Nil).

(f) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2015, no consideration was provided to or receivable by third parties for providing directors' services (2014: Nil).

SEVEN-YEAR FINANCIAL SUMMARY

	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Operating results							
Revenue	**2,135,545**	1,237,757	1,510,022	1,619,634	1,524,833	1,211,826	1,006,502
Gross profit	**395,014**	370,528	466,586	464,684	492,741	320,817	275,656
Operating profit	**244,976**	267,770	359,851	360,272	390,930	247,356	214,123
Finance costs	**83,164**	39,172	24,492	23,222	24,144	19,581	29,225
Profit before tax	**172,856**	231,302	335,359	337,050	366,786	229,396	185,335
EBIT	**270,605**	274,408	363,363	365,429	393,609	248,977	214,560
EBITDA	**429,479**	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	**129,043**	170,754	250,257	249,712	268,169	169,051	134,413
Profit margin							
Gross profit margin	**18.5%**	29.9%	30.9%	28.7%	32.3%	26.5%	27.4%
Operating profit margin	**11.3%**	21.6%	23.8%	22.2%	25.6%	20.4%	21.3%
Net profit margin	**6.0%**	13.8%	16.6%	15.4%	17.6%	14.0%	13.4%
EBITDA margin	**20.1%**	30.2%	30.3%	26.8%	29.8%	24.3%	25.6%
Earnings per share *Basic and diluted (RMB)*	**0.16**	0.21	0.31	0.31	0.49	0.38	0.30
Assets and liabilities							
Total assets	**3,922,548**	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	**2,118,936**	2,006,858	1,860,090	1,632,122	1,415,958	660,819	475,951
Total liabilities	**1,803,612**	1,061,313	677,356	815,798	833,440	927,084	801,522
Net asset value/total equity	**2,118,936**	2,006,858	1,860,090	1,632,122	1,426,360	668,866	482,372
Interest-bearing bank borrowings	**1,217,549**	854,827	391,075	418,107	478,646	387,850	468,212
Cash and cash equivalent	**470,931**	725,234	784,153	778,553	926,148	397,231	195,834
Quick ratio (X)	**0.9**	1.8	1.9	1.6	1.9	0.9	0.8
Current ratio (X)	**1.0**	2.1	2.2	1.8	2.1	1.1	0.9
Inventory turnover (days)	**42**	67	56	42	36	34	26
Trade receivables turnover (days)	**49**	57	58	66	70	75	64
Trade and notes payables turnover (days)	**42**	64	83	84	80	88	67
Net asset value per share (RMB)	**2.64**	2.50	2.32	2.03	2.62	1.49	1.07
Gearing ratio	**20%**	N/A	N/A	N/A	N/A	24%	37%
Total interest-bearing bank borrowings to total equity	**57%**	43%	21%	26%	34%	58%	97%

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, 2014 and 2015 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. Kou Huizhong
Dr. Wang Xin
Dr. Lin Zhang

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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)*
Dr. Lin Zhang
Ms. Miao Fei

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

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AUDITOR
PricewaterhouseCoopers
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China Construction Bank Corporation Limited
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