



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



2016
Interim Report

CONTENTS

Financial Highlights	2
Management Discussion and Analysis	3
Report on Review of Interim Financial Information	12
Interim Condensed Consolidated Balance Sheet	14
Interim Condensed Consolidated Statement of Comprehensive Income	15
Interim Condensed Consolidated Statement of Changes in Equity	16
Interim Condensed Consolidated Statement of Cash Flows	17
Notes to the Interim Condensed Consolidated Financial Information	18
Other Information	40
Corporate Information	45

FINANCIAL HIGHLIGHTS

Financial Highlights (in RMB'000, unless otherwise stated)	For the six months ended 30 June		Growth %
	2016	2015	
Revenue	1,210,957	884,859	36.9%
Gross profit	238,170	171,243	39.1%
Profit attributable to equity holders of the Company	79,332	65,482	21.2%
Earnings per share			
— Basic (RMB)	0.10	0.08	21.2%
— Diluted (RMB)	0.10	0.08	21.2%
EBITDA	255,074	185,564	37.5%

	As at		
	30 June 2016	31 December 2015	
Total equity	2,185,353	2,118,936	3.1%
Net asset per share (RMB)	2.72	2.64	3.1%

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the revenue of the Group was approximately RMB1,211.0 million, representing an increase of approximately 36.9% from the revenue of approximately RMB884.9 million for the corresponding period in 2015. The gross profit increased by 39.1% to approximately RMB238.2 million from the same period in 2015. During the six months ended 30 June 2016, the net profit attributable to the equity holders of the Company and the basic earnings per share were approximately RMB79.3 million and approximately RMB0.10, respectively, both representing an increase of approximately 21.2% as compared with the corresponding period last year.

BUSINESS REVIEW

During the first half of 2016, the sales revenue of eco-friendly bleaching and disinfectant chemicals amounted to RMB726.1 million, representing an increase of 44.2% as compared with sales revenue of approximately RMB503.6 million for the first half of 2015. The percentage of revenue attributable to eco-friendly bleaching and disinfectant chemicals increased from 56.9% for the first half of 2015 to 60.0% for the first half of 2016. Revenue from sales of other chemicals was RMB484.9 million for the first half of 2016, representing an increase of 27.2% as compared with that of RMB381.3 million for the first half of 2015. The percentage of revenue attributable to other chemicals dropped from 43.1% for the first half of 2015 to 40.0% for the first half of 2016.

During the period under review, despite the negative impact of challenges and uncertainties on the economy of the world and China, the water treatment industry still enjoyed development opportunities thanks to favourable policies. Adhering to the management philosophy of “innovation and cooperation”, the Group achieved a balanced growth in its principal activities by focusing on the core business (i.e. eco-friendly bleaching and disinfectant chemicals), persisting in technological innovation and management enhancement, as well as actively promoting organic growth and expansion by way of mergers and acquisitions.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

With the application of bleaching and disinfectant chemicals, such as sodium chlorate and hydrogen peroxide, to urban and industrial sewage treatment, market demand saw a momentum of balanced growth during the period under review. Capitalizing on its position as a leading supplier of bleaching and disinfectant chemicals, strong R&D capability and the extensive coverage of its sales network, the Group succeeded in achieving year-on-year growth in sales revenue. In addition, the slight increase in selling prices of eco-friendly bleaching and disinfectant chemicals and other chemicals over the corresponding period last year gave rise to approximately 21.2% increase in the net profit attributable to equity holders of the Company as compared to the corresponding period last year, which was primarily due to (1) the acquisition of 100 % equity of Sichuan Minjiang Snow Salt Chemical Industry Co., Ltd., thus consolidating the Group's leading position as a supplier of eco-friendly water treatment chemicals and raising its bargaining power; and (2) enhancement of technological input in the Group's production base, reducing the production consumption and improving the product quality.

During the first half of 2016, Fujian Rongping Chemical Co., Ltd., a wholly-owned subsidiary of the Group, has commenced a technological improvement and expansion project in Pingnan Fine Chemical Industrial Park, which mainly involves eco-friendly bleaching and disinfectant chemicals such as sodium chlorate and hydrogen peroxide. In April 2016, Fuzhou Yihua Chemical Stock Co., Ltd., a wholly-owned subsidiary of the Group, entered into a financing agreement with China Central Financial Leasing Co., Ltd. in relation to a loan facility of RMB100,000,000 for a term of two years. Such financing agreement shall optimise the loan structure of the Group allowing greater financial flexibility.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FUTURE PROSPECT

The Group has been operating in eco-friendly chemical industry for over 50 years, and has now become a market leader in the field of advanced oxidation technology. The Group has accumulated technological and resource advantages in two important areas, namely national environmental protection policies and hydrogen strategies for the development. The Group believes that eco-friendly technology and hydrogen energy will become an important direction and innovation approach to enhance the strategic development of the Company. By implementing the technological improvement and expansion project, the Company will expand its business on the basis of its industrial development together with high-new technologies such as water protection and hydrogen energy.

For the second half of 2016, by adhering to the development strategy of “organic growth and expansion by way of mergers and acquisitions”, the Group will promote the development of its innovative research system, intelligent production system and product marketing system, so as to proactively strengthen the presence of its eco-friendly bleaching and disinfectant chemicals in both domestic and international markets. Meanwhile, the Group will capitalize on the opportunities arising from the development of the water treatment industry to further consolidate its core competitive edge. In addition, the Group will provide funding support for its sustainable development through active exploration of both local and overseas financing channels and reward its shareholders by continuously enhancing operating performance.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW

Revenue

Revenue for the period under review was approximately RMB1,211.0 million, representing an increase of approximately RMB326.1 million or 36.9% from approximately RMB884.9 million for the corresponding period last year. The increase was mainly attributable to the increase in the sales of bleaching and disinfectant chemicals during the period.

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

	For the six months ended 30 June			
	2016		2015	
	Amount	% of Revenue	Amount	% of Revenue
Revenue (RMB'000)				
Bleaching and disinfectant chemicals	726,098	60.0%	503,649	56.9%
Other chemical products	484,859	40.0%	381,210	43.1%
Total	1,210,957	100.0%	884,859	100.0%

Bleaching and disinfectant chemicals

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

During the period under review, the total revenue for the bleaching and disinfectant chemicals was RMB726.1 million, representing an increase of approximately 44.2% or RMB222.5 million from the corresponding period last year. The increase in revenue was mainly attributable to the increase in sales volumes of sodium chlorate and hydrogen peroxide as a result of improvement of market condition during the period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Other chemical products

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

During the period under review, the total revenue for the other chemical products was RMB484.9 million, representing an increase of approximately 27.2% or RMB103.7 million from the corresponding period last year. The increase was mainly attributable to expansion of sales of other chemical products during the period.

Cost of sales

Our cost of sales primarily consists of raw materials used and changes in inventories, electricity and other utility fees, depreciation of property, plant and equipment, employee benefit expenses, transportation and related charges, repairs and maintenance, taxes and levies on main operations, 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 approximately 62.7% and 54.7% of our total cost of sales in the period ended 30 June 2016 and 2015, respectively.

During the period under review, our cost of sales increased by approximately RMB259.2 million or 36.3% to RMB972.8 million from RMB713.6 million in the corresponding period last year, which was primarily due to the increase in sales volume of sodium chlorate which led to a relatively higher electricity and other utility fee. The percentage for cost of sales to revenue was 80.3% and 80.6% for the six months ended 30 June 2016 and 2015, respectively.

Gross profit and gross margin

Our gross profit increased by approximately RMB67.0 million or 39.1% to RMB238.2 million for the period under review from RMB171.2 million for the corresponding period last year. The overall gross margin increased from 19.4% for the six months ended 30 June 2015 to 19.7% for the six months ended 30 June 2016, which was primarily due to (i) the slight increase in average selling price of sodium chlorate, hydrogen peroxide, and foaming agent as a result of market condition; and (ii) the fact that the Company owns a complete package of key process technologies and has the advantage of stable and reliable production and sound energy saving effects, whose indicators outperform that of other domestic enterprises.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

Gross margin (%)	For the six months ended 30 June		Change
	2016	2015	
Bleaching and disinfectant chemicals	19.0%	19.1%	–
Other chemical products	20.6%	19.6%	5.1%
Overall	19.7%	19.4%	1.5%

Bleaching and disinfectant chemicals

The gross margin of bleaching and disinfectant chemicals remained flat at 19.0% for the six months ended 30 June 2016 as compared to 19.1% for the corresponding period last year, which was primarily attributable to the relative stable average selling price and cost of bleaching and disinfectant chemicals.

Other chemical products

The gross margin of other chemical products increased from 19.6% for the six months ended 30 June 2015 to 20.6% for the six months ended 30 June 2016, which was primarily attributable (i) the increase in average selling price of other chemical products as a result of market condition; and (ii) cost saving after the upgrade of production facilities.

Selling and marketing expenses

Selling and marketing expenses primarily consist of transportation and related charges for the transport of our products, sales taxes such as urban maintenance and construction tax, educational surtax, and other selling and marketing expenses including travelling expenses. The selling and marketing expenses of the Group increased by approximately 14.5% to RMB37.2 million for the six months ended 30 June 2016 from RMB32.5 million for the six months ended 30 June 2015, which was primarily attributable to the expansion of sales by the Group resulting in higher selling expenses.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Administrative expenses

Administrative expenses primarily consist of depreciation of property, plant and equipment, employee benefit expenses and office and entertainment expenses. The administrative expenses of the Group increased by approximately 9.7% to RMB45.2 million for the six months ended 30 June 2016 from RMB41.2 million for the six months ended 30 June 2015, which was primarily attributable to the expansion of operation by the Group.

Other gains/(losses), net

Other gains/(losses), net, mainly consists of the net gain or loss from the disposal of financial assets at fair value through profit or loss, and the disposal of property, plant and equipment. The other gains, net, of the Group increased to approximately RMB1.4 million for the six months ended 30 June 2016 from the other losses, net of RMB1.3 million for the six months ended 30 June 2015, which was primarily attributable to increase in gain on disposals of financial assets at fair value through profit or loss.

Finance income

Finance income relates to interest earned on our bank deposits. The finance income of the Group decreased by approximately 27.0% to RMB6.3 million for the six months ended 30 June 2016 from RMB8.6 million for the six months ended 30 June 2015, which was primarily attributable to decrease in interest income from bank deposits.

Finance expenses

Finance expenses primarily consist of interest expenses on bank borrowings, discount interest for bill receivables, bills payables and other finance charges, less interest capitalised in property, plant and equipment and foreign exchange losses. The finance expenses of the Group increased by approximately 65.7% to RMB48.2 million for the six months ended 30 June 2016 from RMB29.1 million for the six months ended 30 June 2015, which was primarily attributable to increase in interest-bearing loans and foreign exchange losses on financing activities during the period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Income tax expense

The Group is subject to PRC enterprise income tax rate of 25% for all of our PRC subsidiaries. The income tax expense of the Group increased by approximately 66.1% to RMB34.6 million for the six months ended 30 June 2016 from RMB20.8 million for the six months ended 30 June 2015. The effective tax rate increased to approximately 30.4% for the six months ended 30 June 2016 from 24.1% for the six months ended 30 June 2015 as a result of adjustments for income and expenses items which were not assessable or deductible for income tax purpose.

Profit for the period

As a result of the foregoing factors, the profit attributable to the equity holders of the Company increased by approximately 21.2% to RMB79.3 million for the six months ended 30 June 2016 from RMB65.5 million for the six months ended 30 June 2015.

LIQUIDITY AND CAPITAL RESOURCES

Financial position and bank borrowings

The Group has historically funded its 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 RMB581.2 million as at 30 June 2016 (31 December 2015: RMB470.9 million), most of which were denominated in Renminbi. As at 30 June 2016, the interest bearing bank borrowings of the Group amounted to approximately RMB1,150.2 million (31 December 2015: RMB1,217.5 million).

As at 30 June 2016, the Group's current ratio (calculated as current assets divided by current liabilities) was approximately 1.08 (31 December 2015: 1.04). The Group was in a gearing ratio of 17.3% as at 30 June 2016 (31 December 2015: 19.5%). The Group has sufficient and readily available finance resource for both general working capital purpose and foreseeable capital expenditure.

Working capital

Inventories were approximately RMB229.5 million in total as at 30 June 2016, as compared with approximately RMB232.0 million as at 30 June 2015. The decrease was primarily due to improved demand from downstream industries during the period. Average inventory turnover days were 43 days for the six months ended 30 June 2016 (six months ended 30 June 2015: 50 days).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

As at 30 June 2016, trade and bill receivables amounted to approximately RMB434.3 million in total, as compared with approximately RMB379.5 million as at 30 June 2015. The increase was in line with the respective increase in our sales during the period. The average trade receivables turnover days were 63 days for the six months ended 30 June 2016 (six months ended 30 June 2015: 55 days).

As at 30 June 2016, trade and bill payables amounted to approximately RMB419.3 million in total, as compared with approximately RMB306.1 million as at 30 June 2015. The increase was primarily due to increase in the uses of 90 days letter of credit and bills guaranteed by banks in our payments to suppliers during the period. The average trade and bills payables turnover days were 70 days for the six months ended 30 June 2016 (six months ended 30 June 2015: 55 days).

Capital commitments

As at 30 June 2016, the capital commitments of the Group were approximately RMB24,745,000 (31 December 2015: RMB9,720,000), which were mainly related to the construction of additional production lines and the purchases of equipment for the upgrade of existing production facilities.

Contingent liabilities

As at 30 June 2016, the Group had not provided any form of guarantee for any company outside the Group. The Group is not involved in any current material legal proceedings, nor is our Group aware of any pending or potential material legal proceedings involving the Group.

Employees and remuneration policy

As at 30 June 2016, the Group employed a total of 1,916 full time employees. For the six months ended 30 June 2016, the employee benefit expense was approximately RMB47.0 million. The Group's employee benefits included housing subsidies, shift subsidies, bonuses, allowances, medical check-up, staff quarters, social insurance contributions and housing fund contributions. The remuneration committee of the Company reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive remuneration in the form of fees, salaries, bonuses and other allowances.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 14 to 39, which comprises the interim condensed consolidated balance sheet of China First Chemical Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2016 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 August 2016

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
ASSETS			
Non-current assets			
Land use rights	7	81,411	82,426
Property, plant and equipment	8	1,863,078	1,850,067
Intangible assets	8	304,929	311,714
Investments accounted for using the equity method	9	108,606	110,891
Deferred income tax assets		3,069	3,069
Restricted cash		73,400	106,650
Other non-current assets		29,523	27,400
		2,464,016	2,492,217
Current assets			
Inventories	10	229,461	236,818
Trade and other receivables	11	544,075	487,500
Financial assets at fair value through profit or loss	12	45,787	43,771
Cash and cash equivalents		581,224	470,931
Restricted cash		132,132	191,311
		1,532,679	1,430,331
Total assets		3,996,695	3,922,548
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		65,346	65,346
Other reserves		758,582	771,497
Retained earnings		1,361,425	1,282,093
Total equity		2,185,353	2,118,936
LIABILITIES			
Non-current liabilities			
Borrowings	13	351,727	383,361
Deferred income		10,251	11,002
Deferred income tax liabilities		26,852	28,456
		388,830	422,819
Current liabilities			
Trade and other payables	14	600,851	525,757
Current income tax liabilities		23,150	20,848
Borrowings	13	798,511	834,188
		1,422,512	1,380,793
Total liabilities		1,811,342	1,803,612
Total equity and liabilities		3,996,695	3,922,548

The notes on pages 18 to 39 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue	6	1,210,957	884,859
Cost of sales	15	(972,787)	(713,616)
Gross profit	6	238,170	171,243
Selling and marketing expenses	15	(37,172)	(32,455)
Administrative expenses	15	(45,176)	(41,174)
Other income		816	751
Other gains/(losses) — net		1,440	(1,285)
Operating profit		158,078	97,080
Finance income	16	6,284	8,608
Finance expenses	17	(48,160)	(29,072)
Finance expenses — net		(41,876)	(20,464)
Share of losses of investments accounted for using equity method	9	(2,285)	(3,175)
Gain on disposal of previous investments accounted for using equity method		—	12,857
Profit before income tax		113,917	86,298
Income tax expense	18	(34,585)	(20,816)
Profit for the period		79,332	65,482
Other comprehensive income		—	—
Total comprehensive income for the period		79,332	65,482
Attributable to equity holders of the Company		79,332	65,482
Earnings per share attributable to the equity holders of the Company (RMB Yuan)			
— Basic	19	0.10	0.08
— Diluted	19	0.10	0.08

The notes on pages 18 to 39 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Six months ended 30 June 2015 (Unaudited)						
Balance at 1 January 2015	65,346	317,328	286,665	169,912	1,167,607	2,006,858
Comprehensive income						
Profit for the period	-	-	-	-	65,482	65,482
Total transactions with owners, recognised directly in equity:						
Dividend distribution (Note 20)	-	(16,965)	-	-	-	(16,965)
Balance at 30 June 2015	65,346	300,363	286,665	169,912	1,233,089	2,055,375
Six months ended 30 June 2016 (Unaudited)						
Balance at 1 January 2016	65,346	275,507	311,521	184,469	1,282,093	2,118,936
Comprehensive income						
Profit for the period	-	-	-	-	79,332	79,332
Total transactions with owners, recognised directly in equity:						
Dividend distribution (Note 20)	-	(12,915)	-	-	-	(12,915)
Balance at 30 June 2016	65,346	262,592	311,521	184,469	1,361,425	2,185,353

The notes on pages 18 to 39 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Cash flows from operating activities		
Cash generated from operations	289,061	79,047
Income tax paid	(33,887)	(11,689)
Net cash from operating activities	255,174	67,358
Cash flows from investing activities		
Purchases of financial assets at fair value through profit or loss	(33,000)	(61,249)
Proceeds from maturity of investments in financial assets at fair value through profit or loss	32,477	–
Purchases of property, plant and equipment	(103,394)	(242,901)
Proceeds from disposal of property, plant and equipment	–	10
Purchases of intangible assets	–	(384)
Acquisition of a subsidiary, net of cash acquired	–	(123,283)
Net decrease/(increase) in restricted cash	92,429	(39,057)
Advances to third parties	(243,000)	(85,000)
Repayments of advances from third parties	205,600	–
Repayments of loans from a related party	–	22,400
Net cash used in investing activities	(48,888)	(529,464)
Cash flows from financing activities		
Drawdown of borrowings	418,979	568,861
Repayments of borrowings	(495,112)	(346,186)
Repayment of amounts due to the former shareholders of a subsidiary	(19,953)	–
Dividends	–	(16,965)
Net cash (used in)/from financing activities	(96,086)	205,710
Net increase/(decrease) in cash and cash equivalents	110,200	(256,396)
Cash and cash equivalents at beginning of period	470,931	725,234
Exchange gain/(loss) on cash and cash equivalents	93	(6)
Cash and cash equivalents at end of period	581,224	468,832

The notes on pages 18 to 39 form an integral part of this interim condensed consolidated financial information

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

China First Chemical Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) manufacture and sell bleaching and disinfectant chemical products, foaming agent 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, Uglad 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 is listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2016 has been prepared in accordance with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting”. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

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

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements except for the adoption of amendments to IFRS effective for the financial year ending 31 December 2016 .

- (a) Amendments to IFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

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

- (b) Impact of new or amended standards that have been issued and may be applicable to the Group but not yet effective for the year ending 31 December 2016.

		Effective for accounting periods beginning on or after
IAS 7 (Amendments)	Statement of Cash Flows	1 January 2017
IAS 12 (Amendments)	Income Taxes	1 January 2017
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

The Group has not early adopted the above mentioned new or amended standards in this interim condensed consolidated financial information and will apply these new or amended standards 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.

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

4. ESTIMATES

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

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

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

5.2 Liquidity risk factors

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities except that there is a net increase in trade and other payables (Note 14) and a net decrease in borrowings (Note 13).

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

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

5.3 Fair value estimation

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

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

The following table presents the Group's financial assets that are required to be measured at fair value at 30 June 2016 and 31 December 2015:

	As at 30 June 2016 Level 3 RMB'000	As at 31 December 2015 Level 3 RMB'000
Assets		
Financial assets at fair value through profit or loss	45,787	43,771

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

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

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

	Six months ended 30 June (Unaudited)	
	2016 RMB'000	2015 RMB'000
Financial assets at fair value through profit or loss		
Opening balance at 1 January	43,771	–
Additions	33,000	61,249
Settlements	(32,477)	–
Realised and unrealised gains recognised in profit or loss	1,493	54
Closing balance at 30 June	45,787	61,303
Total unrealised gains for the period included in profit or loss at the end of the reporting period	266	54

During the six months ended 30 June 2016, realised and unrealised gains on financial assets at fair value through profit or loss amounted to approximately RMB1,493,000 (2015: RMB54,000) and were included in “other gains/(losses) — net” in the interim condensed consolidated statement of comprehensive income.

5.5 Group's valuation processes

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

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

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

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

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

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

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

6. 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, Foaming agent products and Other specialty chemicals products separately on a regular basis. Accordingly, three reportable segments (namely the Bleaching and disinfectant chemicals segment, Foaming 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 six months ended 30 June 2016 and 2015.

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

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

6. SEGMENT INFORMATION *(Continued)*

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 six months ended 30 June 2016 and 2015 is as follows:

	Six months ended 30 June 2016 (Unaudited)			
	Bleaching and disinfectant chemicals RMB'000	Foaming agent products RMB'000	Other specialty chemicals RMB'000	Total RMB'000
Segment revenue	726,098	371,171	113,688	1,210,957
Inter-segment revenue	–	–	–	–
Revenue from external customers	726,098	371,171	113,688	1,210,957
Gross profit	138,176	69,138	30,856	238,170
Unallocated				
Depreciation and amortisation				92,997
Finance income				6,284
Finance expenses				(48,160)
Income tax expense				(34,585)
				As at 30 June 2016 RMB'000 (Unaudited)
Total assets				3,996,695
Total liabilities				1,811,342

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

6. SEGMENT INFORMATION (Continued)

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

	As at 31 December 2015 RMB'000 (Audited)
Total assets	3,922,548
Total liabilities	1,803,612

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

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue		
Mainland China	1,159,678	797,253
Overseas	51,279	87,606
	1,210,957	884,859

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

7. LAND USE RIGHTS

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Opening net book amount at beginning of the period	82,426	72,039
Acquisition of subsidiary	–	8,170
Additions	–	3,653
Amortisation <i>(Note 15)</i>	(1,015)	(967)
Closing net book amount at end of the period	81,411	82,895

8. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment RMB'000 (Unaudited)	Intangible assets		
		Goodwill RMB'000 (Unaudited)	Other intangible assets RMB'000 (Unaudited)	Total intangible assets RMB'000 (Unaudited)
Six months ended 30 June 2016				
Opening net book amount as at 1 January 2016	1,850,067	188,673	123,041	311,714
Additions	98,261	–	–	–
Disposals	(53)	–	–	–
Depreciation and amortisation <i>(Note 15)</i>	(85,197)	–	(6,785)	(6,785)
Closing net book amount as at 30 June 2016	1,863,078	188,673	116,256	304,929
Six months ended 30 June 2015				
Opening net book amount as at 1 January 2015	1,211,946	–	3,711	3,711
Acquisition of subsidiary	286,443	188,673	131,400	320,073
Additions	322,969	–	384	384
Disposals	(1,349)	–	–	–
Depreciation and amortisation <i>(Note 15)</i>	(63,549)	–	(5,678)	(5,678)
Closing net book amount as at 30 June 2015	1,756,460	188,673	129,817	318,490

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

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Beginning of the period	110,891	112,704
Share of losses of investments accounted for using equity method	(2,285)	(3,175)
End of the period	108,606	109,529

Set out below are associates of the Group as at 30 June 2016:

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
Fujian Jinsan Industrial Co., Ltd. ("Fujian Jinsan") (Note)	PRC	33	Equity

Note:

On 27 April 2016, Fujian Rong Chang Chemical Co., Ltd. ("Fujian Rong Chang"), a wholly owned subsidiary of the Company, Fujian Haojingda Industrial Co., Ltd. and Fujian Shunchang Fubaotengda Industrial Co., Ltd. jointly established Fujian Jinsan. Fujian Rong Chang holds 33% equity interest in Fujian Jinsan and can exercise significant influence over Fujian Jinsan and hence Fujian Jinsan is an associate of the Group.

Fujian Jinsan will be principally engaged in mineral processing, storage, logistics and warehousing services. Fujian Rong Chang and the other shareholders have not yet made any capital contribution to Fujian Jinsan as of 30 June 2016.

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

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

The results, assets and liabilities of the associates are summarised as below:

	Jiangxi Zhengge RMB'000	Rongxin Trading RMB'000	Fujian Jinsan RMB'000	Total RMB'000
As at 30 June 2016 (Unaudited)				
Assets	544,911	120,646	–	665,557
Liabilities	(391,415)	(21,814)	–	(413,229)
Six months ended 30 June 2016 (Unaudited)				
Revenue	120,837	35,089	–	155,926
Group's share of (loss)/profit	(3,126)	841	–	(2,285)
Percentage held	45%	40%	33%	
As at 30 June 2015 (Unaudited)				
Assets	548,874	97,904	–	646,778
Liabilities	(368,432)	(27,079)	–	(395,511)
Six months ended 30 June 2015 (Unaudited)				
Revenue	136,975	64,849	–	201,824
Group's share of (loss)/profit	(3,448)	273	–	(3,175)
Percentage held	45%	40%	–	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

10. INVENTORIES

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Raw materials	19,325	18,751
Work in progress	169,153	175,764
Finished goods	40,983	42,303
	229,461	236,818

The cost of inventories recognised as expense and included in 'cost of sales' for the six months ended 30 June 2016 amounted to approximately RMB610,340,000 (2015: RMB390,312,000).

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Trade receivables (a)		
Due from third parties	435,074	418,108
Less: Provision for impairment of receivables	(1,153)	-
	433,921	418,108
Bill receivables	357	438
Prepayments for purchases of raw materials from third parties	12,146	7,379
Value-added tax input credits	5,037	8,755
Other receivables		
Due from third parties	53,921	14,127
Due from a related party	38,693	38,693
	92,614	52,820
	544,075	487,500

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.

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

11. TRADE AND OTHER RECEIVABLES *(Continued)*

As at 30 June 2016 and 31 December 2015, the ageing analysis of the trade receivables based on recognition date were as follows:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Within 3 months	431,929	414,619
Between 4 and 6 months	235	307
Between 7 and 12 months	241	1,012
Between 1 and 2 years	1,000	1,635
Above 2 years	1,669	535
	435,074	418,108

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Financial products as designed by a financial institution	45,787	43,771

During the period ended 30 June 2016, the gain on settlements of financial assets at fair value through profit or loss amounted to approximately RMB1,493,000 (period ended 30 June 2015: RMB54,000) which has been recognised as “other gains/(losses) — net” in the interim condensed 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.

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

13. BORROWINGS

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Non-current		
Bank borrowings	290,168	364,453
Borrowings from other financial institution	61,559	18,908
	351,727	383,361
Current		
Current portion of long-term bank borrowings	210,486	237,521
Short-term bank borrowings	519,246	577,154
Borrowings from other financial institution	68,779	19,513
	798,511	834,188
Total borrowings	1,150,238	1,217,549

Movements in borrowings is analysed as follows:

	RMB'000 (Unaudited)
Six months ended 30 June 2016	
Opening amount as at 1 January 2016	1,217,549
Proceeds of borrowings from banks and other financial institution	418,979
Repayments of borrowings	(495,112)
Exchange loss	8,822
Closing amount as at 30 June 2016	1,150,238
Six months ended 30 June 2015	
Opening amount as at 1 January 2015	854,827
Acquisition of subsidiary	150,000
Proceeds of borrowings from banks and other financial institution	568,860
Repayments of borrowings	(346,186)
Exchange loss	778
Closing amount as at 30 June 2015	1,228,279

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

14. TRADE AND OTHER PAYABLES

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Trade payables (a)		
Due to third parties	192,215	131,049
Due to a related party	56,148	22,218
	248,363	153,267
Bill payables	170,986	191,910
Other payables and accruals	181,502	180,580
	600,851	525,757

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

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Within 3 months	236,451	148,260
Between 4 and 6 months	5,456	2,662
Between 7 and 12 months	5,076	1,459
Between 1 and 2 years	1,148	806
Above 2 years	232	80
	248,363	153,267

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

15. EXPENSES BY NATURE

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Changes in inventories of finished goods and work in progress	7,931	(47,342)
Raw materials used	602,409	437,654
	610,340	390,312
Electricity and other utility fees	227,055	205,809
Depreciation of property, plant and equipment <i>(Note 8)</i>	85,197	63,549
Employee benefit expenses	46,970	45,660
Transportation and related charges	31,873	30,445
Taxes and surcharges	8,549	5,164
Amortisation of land use rights <i>(Note 7)</i>	1,015	967
Amortisation of intangible assets <i>(Note 8)</i>	6,785	5,678
Office and entertainment expenses	5,163	4,860
Operating leases expenses	840	748
Property insurance fee	1,787	1,754
Travelling expenses	997	943
Repairs and maintenance	6,038	4,448
Provision for impairment of trade receivables	1,153	–
Other expenses	21,373	26,908
Total cost of sales, selling and marketing expenses and administrative expenses	1,055,135	787,245

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

16. FINANCE INCOME

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Interest income from bank deposits	6,284	8,608

17. FINANCE EXPENSES

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Interest expenses:		
— Borrowings	32,106	28,232
— Discount interest for bill receivables	3,739	2,667
— Bill payables	1,306	1,274
	37,151	32,173
Less: Interest capitalised in property, plant and equipment	(418)	(3,601)
	36,733	28,572
Other finance charges	1,857	1,895
Net foreign exchange losses/(gains) on financing activities	9,570	(1,395)
	48,160	29,072

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

18. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Current income tax		
— PRC enterprise income tax (a)	36,189	22,189
— Hong Kong profits tax (b)	—	—
	36,189	22,189
Deferred income tax credit	(1,604)	(1,373)
	34,585	20,816

- (a) The provision for PRC enterprise income tax is based on the statutory rate of 25% on the basis of the profit for the period, adjusted for income and expenses items which are not assessable or deductible for income tax purpose.
- (b) Hong Kong profits tax has not been provided for as the Group has no estimated assessable profit as derived from Hong Kong during the current and the prior period.
- (c) As at 30 June 2016, deferred income tax liabilities of approximately RMB143,087,000 (as at 31 December 2015: RMB134,621,000) 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 permanently reinvest in these subsidiaries. Unremitted earnings of these subsidiaries amounting to approximately RMB1,430,869,000 at 30 June 2016 (as at 31 December 2015: RMB1,346,214,000).

19. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	79,332	65,482
Weighted average number of ordinary shares in issue (thousand)	802,191	802,191
Basic earnings per share (RMB Yuan)	0.10	0.08

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

19. EARNINGS PER SHARE *(Continued)*

(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 30 June 2016 and 2015.

20. DIVIDENDS

A dividend of approximately HK\$15,402,000 (equivalent to approximately RMB12,915,000) that relates to the year ended 31 December 2015 was approved at the annual general meeting on 13 June 2016 and was paid in July 2016 (2015: approximately HK\$21,529,000, equivalent to approximately RMB16,965,000 related to the year ended 31 December 2014).

The board of directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2016 (2015: Nil).

21. COMMITMENTS

(a) Capital commitments

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

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Property, plant and equipment	24,745	9,720

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

21. COMMITMENTS *(Continued)*

(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 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
No later than 1 year	1,674	1,651
1–5 years	3,474	4,309
	5,148	5,960

22. RELATED-PARTY TRANSACTIONS

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

In addition to those disclosed elsewhere in this interim condensed consolidated financial information, the following transactions were carried out with related parties:

(a) Purchases of goods from related parties

	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Associate	70,311	19,805

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

22. RELATED-PARTY TRANSACTIONS *(Continued)*

(b) Repayments of loans from a related party

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Associate	–	22,400

(c) Period-end balances

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Unaudited)
	Loans to a related party	
Associate	38,693	38,693
Trade payable to a related party		
Associate	56,148	22,218

(d) Key management compensation

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Salaries, wages and bonuses	2,837	2,531
Contributions to pension plan	149	127
	2,986	2,658

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

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

23. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 25 July 2016, the Company has entered into an investment agreement with Chance Talent Management Limited (the “Initial Investor”) (as subscriber), the Chairman of the Company’s Board of Directors, Mr. Liem Djiang Hwa (as the individual guarantor), and the Company’s parent, China First Chemical Ltd. (as the corporate guarantor), pursuant to which, the Company conditionally agreed to issue notes and convertible bonds, each with aggregated principal amount of US\$15,000,000, to the Initial Investor.

On 26 July 2016, notes with aggregated principal amounts of US\$15,000,000 have been issued to the Initial Investor. The notes issued bear interests at 7.5% per annum and are maturing on 26 July 2018 unless the Company applies for an extension pursuant to the provisions of the relevant note instruments, in which case the maturity date of the notes shall be extended to 26 July 2019.

On 17 August 2016, convertible bonds with aggregated principal amounts of US\$15,000,000 have also been issued to the Initial Investor. The convertible bonds bear interest at 7.5% per annum and the Initial Investor has the right to convert the whole or part of the principal amounts of the convertible bonds into the Company’s shares at pre-determined conversion prices upon the maturity of the bond on 17 August 2018, or 17 August 2019 if the Company applies for an extension pursuant to the provisions of the relevant convertible bond instruments.

In case the Company fails to repay any amounts in respect of the aforesaid notes or convertible bonds, the Company is obliged to pay the Initial Investor the default interests on any unpaid amounts which will be calculated at the default interest rate of 20% per annum.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2016, 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)

OTHER INFORMATION (Continued)

(II) Long positions in the shares of associated corporations

Name of directors	Name of associated corporations	Relationship with the Company	Nature of interest	Number of shares held in associated corporations	Percentage of issued share capital in associated corporations
Liem Djiang Hwa	China First Chemical Ltd.	The Company's holding corporation	Interests in controlled corporation	43,492,810	62.14%
Lam Wai Wah	China First Chemical Ltd.	The Company's holding corporation	Interests in controlled corporation	26,498,838	37.86%

Notes:

- (1) Mr. Liem Djiang Hwa is indirectly interested in the Company through Yihua Crown Limited, which in turn is indirectly interested in the Company through China First Chemical Ltd.
- (2) Mr. Lam Wai Wah is indirectly interested in 419,949,888 shares of the Company through Yihua Fortune Limited, which in turn is indirectly interested in the Company through China First Chemical Ltd.

Save as those disclosed above, as at 30 June 2016, the directors and chief executive of the Company did not have any interests or short positions in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or were required, pursuant to section 352 of the SFO, to be entered in the register required to be maintained by the Company; or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

OTHER INFORMATION *(Continued)*

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, the following persons had an interest or short position in the shares or underlying shares in the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interest in 5% or more of the issued share capital of the Company:

Long positions in the shares of the Company

Name of shareholders	Nature of interest	Number of shares	Percentage of issued share capital
Mr. Liem Djiang Hwa	Interests in controlled corporation	419,949,888	52.35% ⁽¹⁾
Mr. Lam Wai Wah	Interests in controlled corporation	419,949,888	52.35% ⁽²⁾
Yihua Crown Limited	Interests in controlled corporation	419,949,888	52.35% ⁽¹⁾
Yihua Fortune Limited	Interests in controlled corporation	419,949,888	52.35% ⁽²⁾
China First Chemical Ltd.	Beneficial owner	419,949,888	52.35%
China Renaissance Capital Investment II GP	Interests in controlled corporation	180,050,112	22.44% ⁽³⁾
China Renaissance Capital Investment II, L.P.	Interests in controlled corporation	180,050,112	22.44% ⁽⁴⁾
China Harvest Fund II, L.P.	Interests in controlled corporation	180,050,112	22.44% ⁽⁵⁾
Trophy Group Limited	Beneficial owner	180,050,112	22.44%

Notes:

- (1) Mr. Liem Djiang Hwa is indirectly interested in the Company through Yihua Crown Limited, which in turn is indirectly interested in the Company through China First Chemical Ltd.
- (2) Mr. Lam Wai Wah is indirectly interested in the Company through Yihua Fortune Limited, which in turn is indirectly interested in the Company through China First Chemical Ltd.
- (3) China Renaissance Capital Investment II GP is the general partner of China Renaissance Capital Investment II, L.P. pursuant to a partnership agreement.
- (4) China Renaissance Capital Investment II, L.P. is the general partner of China Harvest Fund II, L.P..
- (5) China Harvest Fund II, L.P. is the sole shareholder of Trophy Group Limited.

OTHER INFORMATION *(Continued)*

Save as those disclosed above, as at 30 June 2016, 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 of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO.

CORPORATE GOVERNANCE

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

During the period from 1 January 2016 to 30 June 2016, the Company has complied with the code provisions set out in the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules as its model code for securities transactions by Directors and senior management. Having made specific enquiry, all the Directors confirmed that they have complied with the Model Code during the six months ended 30 June 2016.

AUDIT COMMITTEE’S REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2016, the accounting principles and practices adopted by the Group, and the Group’s internal control functions.

OTHER INFORMATION *(Continued)*

INTERIM DIVIDEND

The Directors have not recommended the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

SHARE OPTION SCHEME

Our Company has adopted the Share Option Scheme on 10 June 2011 and 12 June 2011. A summary of the principal terms and conditions of the Share Option Scheme are set out in the section headed “Share Option Scheme” in Appendix VI of the Prospectus. Up to 30 June 2016, no option has been granted pursuant to the Share Option Scheme.

CORPORATE INFORMATION

BOARD OF DIRECTORS **Chairman and Non-executive** **Director:**

Mr. Liem Djiang Hwa

Executive Directors:

Mr. Chen Hong

Ms. Miao Fei

Mr. Lam Wai Wah

Independent Non-executive **Directors:**

Dr. Kou Huizhong

Dr. Wang Xin

Dr. Lin Zhang

REGISTERED OFFICE

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

HEADQUARTERS IN THE PRC

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

PLACE OF BUSINESS IN **HONG KONG**

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

COMPANY'S WEBSITE

www.cfc2121.com

COMPANY SECRETARY

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

AUTHORIZED **REPRESENTATIVES**

Mr. Lam Wai Wah

Ms. Miao Fei

ALTERNATE AUTHORIZED **REPRESENTATIVE**

Ms. Yuen Wing Yan, Winnie

AUDIT COMMITTEE

Dr. Wang Xin (*Chairman*)

Dr. Kou Huizhong

Dr. Lin Zhang

REMUNERATION COMMITTEE

Dr. Kou Huizhong (*Chairman*)

Ms. Miao Fei

Dr. Lin Zhang

NOMINATION COMMITTEE

Dr. Kou Huizhong (*Chairman*)

Mr. Lam Wai Wah

Dr. Lin Zhang

CORPORATE INFORMATION *(Continued)*

PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited
P.O. Box 1093,
Boundary Hall Cricket Square,
Grand Cayman,
KY1-1102,
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

AUDITOR

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

PRINCIPAL BANKERS

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

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

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