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

# Interim Report 2017

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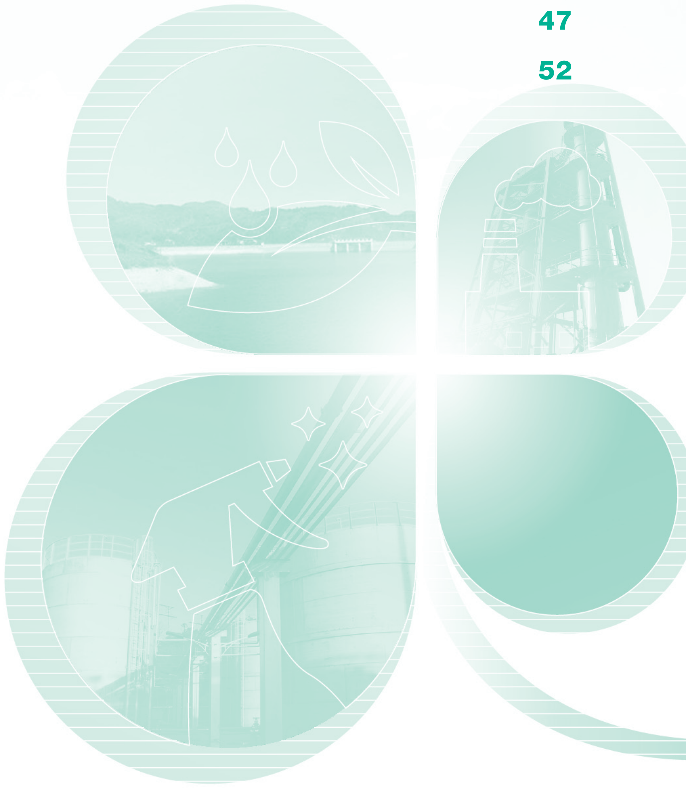

# Financial Highlights

| Financial Highlights<br>(in RMB'000, unless otherwise stated) | For the six months ended 30 June<br>2017 | 2016 | Growth<br>% |
|---|---|---|---|
| Revenue | **982,722** | 1,210,957 | (18.8%) |
| Gross profit | **165,827** | 238,170 | (30.4%) |
| Profit attributable to equity holders of the Company | **36,716** | 79,332 | (53.7%) |
| Earnings per share | | | |
| — Basic (RMB) | **0.05** | 0.10 | (53.7%) |
| — Diluted (RMB) | **0.04** | 0.10 | (56.7%) |
| EBITDA | **188,705** | 255,074 | (26.0%) |

| | As at<br>30 June<br>2017 | 31 December<br>2016 | |
|---|---|---|---|
| Total equity | **2,265,423** | 2,228,707 | 1.6% |
| Net asset per share (RMB) | **2.82** | 2.78 | 1.6% |

# Management Discussion and Analysis

During the first half of 2017, the overall domestic economic situation rebounded steadily in the second half of last year and the economic operation remained in a reasonable range. Under the influence of changes in the domestic and international economic situation, the Group has adjusted its strategies and actively responded to market changes according to the situation.

During the period under review, revenue of the Group was approximately RMB982.7 million, representing a decrease of approximately 18.8% from the revenue of approximately RMB1,211.0 million for the corresponding period in 2016. Gross profit decreased by 30.4% to approximately RMB165.8 million from the same period in 2016. During the six months ended 30 June 2017, net profit attributable to the equity holders of the Company and the basic earnings per share were approximately RMB36.7 million and RMB0.05, respectively, both representing a decrease of approximately 53.7% as compared with the corresponding period in 2016.

## BUSINESS REVIEW

During the first half of 2017, sales revenue from the Group's eco-friendly bleaching and disinfectant chemicals amounted to approximately RMB598.4 million, representing a decrease of 17.6% as compared with sales revenue of approximately RMB726.1 million for the first half of 2016. The percentage of revenue attributable to eco-friendly bleaching and disinfectant chemicals increased from approximately 60.0% for the first half of 2016 to approximately 60.9% for the first half of 2017. Revenue from sales of other chemicals was approximately RMB384.3 million for the first half of 2017, representing a decrease of approximately 20.7% as compared with that of approximately RMB484.9 million for the first half of 2016. The percentage of revenue attributable to other chemicals dropped from approximately 40.0% for the first half of 2016 to approximately 39.1% for the first half of 2017.

During the first half of 2017, the decrease of the sales revenue of the Group was mainly attributable to the decrease in sales volumes in our main products, namely bleaching and disinfectant chemicals and other special chemical products, by 18% and 26% respectively as compared with that during the first half of 2016 due to market reasons.

Our gross profit decreased by approximately RMB72.4 million or 30.4% to RMB165.8 million for the period under review from RMB238.2 million for the corresponding period in 2016. The overall gross margin decreased from 19.7% for the six months ended 30 June 2016 to 16.9% for the six months ended 30 June 2017, which was primarily due to (i) the decrease in sales volume of sodium chlorate, hydrogen peroxide, and foaming agent due to the weak market condition; and (ii) the increase of unit cost which stems from the increased price of raw materials and purchased products and the decrease in quantity outputs.

# Management Discussion and Analysis

As a result of the foregoing factors, profit attributable to the equity holders of the Company decreased by approximately 53.7% to RMB36.7 million for the six months ended 30 June 2017 from RMB79.3 million for the six months ended 30 June 2016.

The Group persisted in technological innovation for the period under review and achieved positive effects in technology research and development areas. "Calcium Carbide Furnace Emission, Electrolysis and Purification of Emission by Sodium Salt and Development of Comprehensive Utilization Technology" (《電石爐尾氣、鈉鹽電解尾氣淨化及綜合利用技術開發》) of Sichuan Minjiang Snow Salt Chemical Industry Co., Ltd., a wholly-owned subsidiary of the Group, was awarded the second prize of Sichuan Province Scientific and Technological Progress by the People's Government of Sichuan; "Study and Application of Barium-free Technology in the Process of Producing Sodium Chlorate from Industrial Salt" (《工業鹽制備氯酸鈉工藝中的無鋇技術研究及應用》)was awarded the first prize of Scientific and Technological Progress by the People's Government of Ngawa Prefecture; both "Study of the Electrolysis and Purification of Emission by Sodium Chlorate and the Comprehensive Utilization of Waste Heat Technology " (《氯酸鈉電解尾氣淨化餘熱綜合利用技術研究》) and "Study and Application of the Technology and Equipment of the Reuse of Chlorine in the Electrolysis of Emission by Sodium Chlorate" (《氯酸鈉電解尾氣中氯氣回用技術及裝置研究與應用》) were awarded the third prize of Scientific and Technological Progress by the People's Government of Ngawa Prefecture. In addition, the Group was also awarded the 2017 Top Ten Credible Suppliers of Hydrogen Peroxide Industry.

## FUTURE PROSPECT

In 2017, the Group has been in eco-friendly chemical industry for 59 years and after 59 years of ups and downs, the Group has been experienced in development and cultivated a senior management team with professional quality. In the past few years, the Group responded to all kinds of challenges with various strategies.

Having experienced the market volatility in the first half of 2017, the Group will further monitor the whole process of the production activities at all production bases in the second half of 2017, ensure eco-friendly and safe production, and put more efforts in research and development to promote the development and upgrading of production technology and improve production efficiency. In addition, the Group will adopt the strategy of focusing on the main business to increase gross margin and net profit levels and to continue bringing satisfactory returns to the majority of shareholders.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

Revenue for the period under review was approximately RMB982.7 million, representing a decrease of approximately RMB228.3 million or 18.8% from approximately RMB1,211.0 million for the corresponding period in 2016. The decrease was mainly attributable to the decrease in the sales of bleaching and disinfectant chemicals and other chemical products 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 | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | Amount | % of Revenue | Amount | % of Revenue |
| **Revenue (RMB'000)** | | | | |
| Bleaching and disinfectant chemicals | **598,376** | **60.9%** | 726,098 | 60.0% |
| Other chemical products | **384,346** | **39.1%** | 484,859 | 40.0% |
| **Total** | **982,722** | **100.0%** | 1,210,957 | 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 approximately RMB598.4 million, representing a decrease of approximately 17.6% or RMB127.7 million from the corresponding period in 2016. The decrease in revenue was mainly attributable to the decrease in sales volume of sodium chlorate and hydrogen peroxide due to the weak market condition during the period.

### Other chemical products

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

During the period under review, the total revenue for the other chemical products was approximately RMB384.3 million, representing a decrease of approximately 20.7% or RMB100.5 million from the corresponding period in 2016. The decrease was mainly attributable to the decrease in sales volume of foaming agent due to the weak market condition during the period.

### Cost of sales

Our cost of sales primarily consists of cost of materials (including the raw materials used and changes in inventories of finished goods and work in progress), electricity and other utility fees, depreciation of property, plant and equipment, employee benefit expenses, transportation and related charges, repairs and maintenance, taxes and levies on main operations, office and entertainment expenses, traveling expenses and other expenses. Cost of raw materials including foaming agent sourced from third parties, is the largest component of our cost of sales, representing approximately 57.7% and 62.7% of our total cost of sales for the six months ended 30 June 2017 and 2016, respectively.

During the period under review, our cost of sales decreased by approximately RMB155.9 million or 16.0% to RMB816.9 million from RMB972.8 million in the corresponding period in 2016, which was primarily due to the decrease in sales volume of sodium chlorate, hydrogen peroxide, and foaming agent during the period. The percentage for cost of sales to revenue was 83.1% and 80.3% for the six months ended 30 June 2017 and 2016, respectively.

### Gross profit and gross margin

Our gross profit decreased by approximately RMB72.4 million or 30.4% to RMB165.8 million for the period under review from RMB238.2 million for the corresponding period last year. The overall gross margin decreased from approximately 19.7% for the six months ended 30 June 2016 to approximately 16.9% for the six months ended 30 June 2017, which was primarily due to (i) the decrease in sales volume of sodium chlorate, hydrogen peroxide, and foaming agent due to the weak market condition; and (ii) the increase of unit cost which stems from the increased price of raw materials and purchased products and the decrease in quantity outputs.

# Management Discussion and Analysis

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 2017 | 2016 | Change |
|---|---|---|---|
| Bleaching and disinfectant chemicals | **16.9%** | 19.0% | (11.1%) |
| Other chemical products | **16.8%** | 20.6% | (18.4%) |
| Overall | **16.9%** | 19.7% | (14.2%) |

### Bleaching and disinfectant chemicals

The gross margin of bleaching and disinfectant chemicals decreased to 16.9% for the six months ended 30 June 2017 as compared to 19.0% for the corresponding period in 2016, which was primarily attributable to the increase of unit cost which stems from the increased price of raw materials and purchased products and the decreased quantity outputs.

### Other chemical products

The gross margin of other chemical products decreased from 20.6% for the six months ended 30 June 2016 to 16.8% for the six months ended 30 June 2017, which was primarily attributable to the increase of unit cost which stems from the increased price of raw materials and purchased products and the decreased quantity outputs.

### Selling and marketing expenses

Selling and marketing expenses primarily consist of transportation and related charges for the transport of our products and other selling and marketing expenses including travelling expenses. The selling and marketing expenses of the Group decreased by approximately 10.5% to RMB33.3 million for the six months ended 30 June 2017 from RMB37.2 million for the six months ended 30 June 2016, which was in line with the decrease in sales volume.

### Administrative expenses

Administrative expenses primarily consist of depreciation of property, plant and equipment, employee benefit expenses and office and entertainment expenses. The administrative expenses of the Group decreased by approximately 5.3% to RMB42.8 million for the six months ended 30 June 2017 from RMB45.2 million for the six months ended 30 June 2016, which was primarily attributable to the effectiveness of various cost control measures/programmes.

**Other (losses)/gains, net**

Other (losses)/gains, net, mainly consists of the gain from the disposal of financial assets at fair value through profit or loss, and the loss on disposal of property, plant and equipment. The other losses, net, of the Group decreased to approximately RMB0.1 million for the six months ended 30 June 2017 from the other gains, net of RMB1.4 million for the six months ended 30 June 2016, which was primarily attributable to the increase in foreign exchange losses on operating activities and loss on disposal of property, plant and equipment.

**Finance income**

Finance income represents interest earned on our bank deposits. The finance income of the Group decreased by approximately 55.6% to RMB2.8 million for the six months ended 30 June 2017 from RMB6.3 million for the six months ended 30 June 2016, which was primarily attributable to decrease in the amount of deposits.

**Finance expenses**

Finance expenses primarily consist of interest expenses on bank borrowings, interests expenses on discounted bill receivables, interest expenses on letters of credit and other finance charges, less interest capitalised in property, plant and equipment and net foreign exchange gains on financing activities. The finance expenses of the Group decreased by approximately 25.5% to RMB35.9 million for the six months ended 30 June 2017 from RMB48.2 million for the six months ended 30 June 2016, which was primarily attributable to the increase in foreign exchange gains on financing activities (as compared to the net foreign exchange losses on financing activities for the corresponding period in 2016) and also the increase in interests on borrowings during the period.

**Income tax expense**

The Group is subject to PRC enterprise income tax rate of 25% for all our PRC subsidiaries. The income tax expense of the Group decreased by approximately 46.5% to RMB18.5 million for the six months ended 30 June 2017 from RMB34.6 million for the six months ended 30 June 2016. The effective tax rate increased to approximately 33.6% for the six months ended 30 June 2017 from 30.4% for the six months ended 30 June 2016 as a result of adjustments for income and expenses items which were not assessable or deductible for income tax purpose and also the increase in tax losses not being recognised as deferred income tax assets.

**Profit for the period**

As a result of the foregoing factors, the profit attributable to the equity holders of the Company decreased by approximately 53.7% to RMB36.7 million for the six months ended 30 June 2017 from RMB79.3 million for the six months ended 30 June 2016.

## 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 RMB582.5 million as at 30 June 2017 (31 December 2016: RMB540.2 million), most of which were denominated in Renminbi. As at 30 June 2017, the interest bearing bank borrowings, and financial liabilities at fair value through profit or loss of the Group amounted to approximately RMB1,232.8 million (31 December 2016: RMB1,334.9 million).

As at 30 June 2017, the Group's current ratio (calculated as current assets divided by current liabilities) was approximately 1.16 (31 December 2016: 1.11). The Group was in a gearing ratio (calculated as net debt divided by total capital) of 19.34% (31 December 2016: 23.14%) as at 30 June 2017. The Group has sufficient and readily available finance resource for both general working capital purpose and foreseeable capital expenditure.

### Working capital

Inventories were approximately RMB200.5 million in total as at 30 June 2017, as compared with approximately RMB229.5 million as at 30 June 2016. The decrease was primarily due to effective control over inventories during the period. Average inventory turnover days were 45 days for the six months ended 30 June 2017 (six months ended 30 June 2016: 43 days).

As at 30 June 2017, trade and bill receivables amounted to approximately RMB373.6 million in total, as compared with approximately RMB434.3 million as at 30 June 2016. The decrease is primarily due to our effective control over trade receivables during the period. The average trade receivables turnover days were 61 days for the six months ended 30 June 2017 (six months ended 30 June 2016: 63 days).

As at 30 June 2017, trade and bill payables amounted to approximately RMB333.0 million in total, as compared with approximately RMB419.3 million as at 30 June 2016. The decrease was primarily due to the decrease of purchased goods during the period. The average trade and bills payables turnover days were 68 days for the six months ended 30 June 2017 (six months ended 30 June 2016: 70 days).

# Management Discussion and Analysis

**Capital commitments**

As at 30 June 2017, the capital commitments of the Group were approximately RMB19.5 million (31 December 2016: approximately RMB15.0 million), 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 2017, 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 2017, the Group employed a total of 1,943 full time employees. For the six months ended 30 June 2017, the employee benefit expenses was approximately RMB46.5 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.

# Report on Review of Interim Financial Information

**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 13 to 46, 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 2017 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.

# Report on Review of Interim Financial Information

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

## 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 2017

# Interim Condensed Consolidated Balance Sheet

| | Note | As at 30 June 2017 RMB'000 (Unaudited) | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Land use rights | *7* | **79,245** | 80,260 |
| Property, plant and equipment | *8* | **1,793,669** | 1,827,765 |
| Intangible assets | *8* | **291,357** | 298,142 |
| Investments accounted for using the equity method | *9* | **103,246** | 105,651 |
| Deferred income tax assets | | **4,396** | 4,396 |
| Restricted cash | | **–** | 19,200 |
| Other non-current assets | *10* | **203,860** | 262,318 |
| | | **2,475,773** | 2,597,732 |
| **Current assets** | | | |
| Inventories | *11* | **200,540** | 208,670 |
| Trade and other receivables | *12* | **611,404** | 478,862 |
| Financial assets at fair value through profit or loss | *13* | **48,038** | 47,061 |
| Cash and cash equivalents | | **582,502** | 540,230 |
| Restricted cash | | **156,707** | 168,162 |
| | | **1,599,191** | 1,442,985 |
| **Total assets** | | **4,074,964** | 4,040,717 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Share capital | | **65,346** | 65,346 |
| Other reserves | | **775,692** | 775,692 |
| Retained earnings | | **1,424,385** | 1,387,669 |
| **Total equity** | | **2,265,423** | 2,228,707 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | *14* | **293,585** | 370,303 |
| Deferred income | | **8,763** | 9,500 |
| Deferred income tax liabilities | | **23,605** | 25,209 |
| Financial liabilities at fair value through profit or loss | *15* | **103,310** | 107,246 |
| | | **429,263** | 512,258 |
| **Current liabilities** | | | |
| Trade and other payables | *16* | **533,483** | 433,811 |
| Current income tax liabilities | | **10,929** | 8,617 |
| Borrowings | *14* | **835,866** | 857,324 |
| | | **1,380,278** | 1,299,752 |
| **Total liabilities** | | **1,809,541** | 1,812,010 |
| **Total equity and liabilities** | | **4,074,964** | 4,040,717 |

The notes on pages 17 to 46 form an integral part of this interim condensed consolidated financial information.

# Interim Condensed Consolidated Statement of Comprehensive Income

| | Note | Six months ended 30 June 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
|---|---|---|---|
| Revenue | *6* | **982,722** | 1,210,957 |
| Cost of sales | *17* | **(816,895)** | (972,787) |
| **Gross profit** | *6* | **165,827** | 238,170 |
| Selling and marketing expenses | *17* | **(33,271)** | (37,172) |
| Administrative expenses | *17* | **(42,787)** | (45,176) |
| Other income | | **1,120** | 816 |
| Other (losses)/gains — net | | **(118)** | 1,440 |
| **Operating profit** | | **90,771** | 158,078 |
| Finance income | *18* | **2,830** | 6,284 |
| Finance expenses | *19* | **(35,937)** | (48,160) |
| Finance expenses — net | | **(33,107)** | (41,876) |
| Share of losses of investments accounted for using the equity method | *9* | **(2,405)** | (2,285) |
| **Profit before income tax** | | **55,259** | 113,917 |
| Income tax expense | *21* | **(18,543)** | (34,585) |
| **Profit for the period** | | **36,716** | 79,332 |
| Other comprehensive income | | **–** | – |
| **Total comprehensive income for the period** | | **36,716** | 79,332 |
| **Attributable to equity holders of the Company** | | **36,716** | 79,332 |
| **Earnings per share attributable to the equity holders of the Company (RMB Yuan)** | | | |
| — Basic | *20* | **0.05** | 0.10 |
| — Diluted | *20* | **0.04** | 0.10 |

The notes on pages 17 to 46 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 2017 (Unaudited)** | | | | | | |
| **Balance at 1 January 2017** | **65,346** | **262,592** | **311,521** | **201,579** | **1,387,669** | **2,228,707** |
| **Comprehensive income** | | | | | | |
| Profit for the period | **–** | **–** | **–** | **–** | **36,716** | **36,716** |
| **Balance at 30 June 2017** | **65,346** | **262,592** | **311,521** | **201,579** | **1,424,385** | **2,265,423** |
| **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 22)* | – | (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 17 to 46 form an integral part of this interim condensed consolidated financial information.

# Interim Condensed Consolidated Statement of Cash Flows

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **Cash flows from operating activities** | | |
| Cash generated from operations | **155,177** | 289,061 |
| Income tax paid | **(17,835)** | (33,887) |
| Net cash from operating activities | **137,342** | 255,174 |
| **Cash flows from investing activities** | | |
| Purchases of financial assets at fair value through profit or loss | **(34,321)** | (33,000) |
| Proceeds from maturity of investments in financial assets at fair value through profit or loss | **33,000** | 31,250 |
| Purchases of property, plant and equipment | **(43,389)** | (103,394) |
| Proceeds from disposal of property, plant and equipment | **75** | – |
| Gain on settlement of financial assets at fair value through profit or loss | **1,172** | 1,227 |
| Net decrease in restricted cash | **30,655** | 92,429 |
| Advances to third parties | **(170,000)** | (243,000) |
| Repayments of advances from third parties | **170,000** | 205,600 |
| Net cash used in investing activities | **(12,808)** | (48,888) |
| **Cash flows from financing activities** | | |
| Drawdown of borrowings | **380,058** | 418,979 |
| Repayments of borrowings | **(468,995)** | (495,112) |
| Increase in amounts due to | | |
| — a shareholder | **4,196** | – |
| — a third party | **2,760** | – |
| Repayment of amounts due to the former shareholders of a subsidiary | **–** | (19,953) |
| Net cash used in financing activities | **(81,981)** | (96,086) |
| **Net increase in cash and cash equivalents** | **42,553** | 110,200 |
| Cash and cash equivalents at beginning of the period | **540,230** | 470,931 |
| Exchange (loss)/gain on cash and cash equivalents | **(281)** | 93 |
| **Cash and cash equivalents at end of the period** | **582,502** | 581,224 |

The notes on pages 17 to 46 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, 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 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 2017 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 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") (the "2016 Annual Financial Statements").

## 3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those as set out in the 2016 Annual Financial Statements of the Company except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to IFRSs effective for the financial year ending 31 December 2017.

**(a)** Amendments to IFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

**(b) Impact of standards issued but not yet applied by the entity**

**(i) IFRS 9 "Financial instruments"**

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets because the debt investments currently measured at fair value through profit or loss (FVPL) will likely continue to be measured on the same basis under IFRS 9.

There will be no impact on the Group's accounting for financial liabilities. Convertible bonds currently measured at fair value through profit or loss (FVPL) will likely continue to be measured on the same basis under IFRS 9. The derecognition rules have been transferred from IAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

## 3. ACCOUNTING POLICIES *(Continued)*

### (b) Impact of standards issued but not yet applied by the entity *(Continued)*

#### (ii) IFRS 15 "Revenue from contracts with customers"

The International Accounting Standards Board has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and the application of IFRS 15 may result in the identification of separate performance obligations in respect of the provision of transportation services to the Group's customers which could affect the timing of the recognition of revenue.

Based on the assessment up to this stage, management does not expect the adoption of the new standard will have a material impact on the Group.

## 3. ACCOUNTING POLICIES *(Continued)*

### (b) Impact of standards issued but not yet applied by the entity *(Continued)*

#### (iii) IFRS 16 "Leases"

IFRS 16 was issued in January 2016. It will results in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately RMB3,856,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

## 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 2016 Annual Financial Statements of the Company.

## 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 2016 Annual Financial Statements of the Company.

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

### 5.2 Liquidity risk

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 16) and a net decrease in borrowings (Note 14).

### 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).

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

### 5.3 Fair value estimation *(Continued)*

The following table presents the Group's financial assets and liabilities that are required to be measured at fair value at 30 June 2017 and 31 December 2016:

| | As at 30 June 2017 Level 3 RMB'000 (Unaudited) | As at 31 December 2016 Level 3 RMB'000 (Audited) |
|---|---|---|
| **Assets** | | |
| Financial assets at fair value through profit or loss | **48,038** | 47,061 |
| **Liabilities** | | |
| Financial liabilities at fair value through profit or loss | **103,310** | 107,246 |

There were not any transfer between different levels or any changes in valuation techniques during the period.

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

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

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **Financial assets at fair value through profit or loss** | | |
| Opening balance at 1 January | **47,061** | 43,771 |
| Additions | **34,321** | 33,000 |
| Settlements | **(33,000)** | (31,250) |
| Unrealised gains recognised in profit or loss for assets held at the end of the period | **261** | 266 |
| Unrealised loss recognised in profit or loss for assets upon settlement during the period | **(605)** | – |
| Closing balance at 30 June | **48,038** | 45,787 |
| Total gain on settlement of financial assets at fair value through profit or loss | **1,172** | 1,227 |

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.

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **Financial liabilities at fair value through profit or loss** | | |
| Opening balance at 1 January | **107,246** | – |
| Payment of interests | **(3,860)** | – |
| Fair value gain recognised in profit or loss | **(76)** | – |
| Closing balance at 30 June | **103,310** | – |

The fair value of the convertible bonds is determined by an independent qualified valuer based on the Binomial Model.

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

### 5.5 Group's valuation processes

The Group's finance department performs the valuations of financial assets for financial reporting purpose, 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 semi-annually, in line with the Group's semi-annual 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.

For the financial liabilities at fair value through profit or loss, including Level 3 fair values, the Group engages an independent qualified valuer to perform the valuations. Management works closely with the qualified external valuer to determine the appropriate valuation techniques and inputs to the model and reports the valuation findings to the CFO semi-annually to explain the cause of fluctuations in the fair value of the related financial liabilities.

The valuation technique as applied is the Binomial Model. Detailed information about the valuation techniques and inputs used in the determination of the fair value of the convertible bonds designated as financial liabilities at fair value through profit or loss have been disclosed in Note 15.

### 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 2017 and 2016.

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

The 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.

## 6. SEGMENT INFORMATION *(Continued)*

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2017 and 2016 is as follows:

| | Six months ended 30 June 2017 (Unaudited) | | | |
|---|---|---|---|---|
| | Bleaching and disinfectant chemicals RMB'000 | Foaming agent products RMB'000 | Other specialty chemicals RMB'000 | Total RMB'000 |
| Segment revenue | 598,376 | 280,391 | 103,955 | 982,722 |
| Inter-segment revenue | – | – | – | – |
| Revenue from external customers | 598,376 | 280,391 | 103,955 | 982,722 |
| Gross profit | 101,367 | 43,431 | 21,029 | 165,827 |
| **Unallocated** | | | | |
| Depreciation and amortisation | | | | 97,509 |
| Finance income | | | | 2,830 |
| Finance expenses | | | | (35,937) |
| Income tax expense | | | | (18,543) |

| | As at 30 June 2017 RMB'000 (Unaudited) |
|---|---|
| Total assets | 4,074,964 |
| Total liabilities | 1,809,541 |

## 6. SEGMENT INFORMATION *(Continued)*

| | 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 31 December 2016 RMB'000 (Audited) |
|---|---|
| Total assets | 4,040,717 |
| Total liabilities | 1,812,010 |

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

| | **Six months ended 30 June** | |
|---|---|---|
| | **2017 RMB'000 (Unaudited)** | 2016 RMB'000 (Unaudited) |
| Revenue | | |
| Mainland China | **904,186** | 1,159,678 |
| Overseas | **78,536** | 51,279 |
| | **982,722** | 1,210,957 |

## 7. LAND USE RIGHTS

| | Six months ended 30 June | |
|---|---|---|
| | **2017 RMB'000 (Unaudited)** | 2016 RMB'000 (Unaudited) |
| Opening net book amount at beginning of the period | **80,260** | 82,426 |
| Amortisation *(Note 17)* | **(1,015)** | (1,015) |
| Closing net book amount at end of the period | **79,245** | 81,411 |

## 8. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

| | | Intangible assets | | |
|---|---|---|---|---|
| | **Property, plant and equipment** RMB'000 (Unaudited) | **Goodwill** RMB'000 (Unaudited) | **Other intangible assets** RMB'000 (Unaudited) | **Total intangible assets** RMB'000 (Unaudited) |
| **Six months ended 30 June 2017** | | | | |
| **Opening net book amount as at 1 January 2017** | **1,827,765** | **188,673** | **109,469** | **298,142** |
| Additions | **55,771** | **–** | **–** | **–** |
| Disposals | **(158)** | **–** | **–** | **–** |
| Depreciation and amortisation *(Note 17)* | **(89,709)** | **–** | **(6,785)** | **(6,785)** |
| **Closing net book amount as at 30 June 2017** | **1,793,669** | **188,673** | **102,684** | **291,357** |
| **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 *(Note 17)* | (85,197) | – | (6,785) | (6,785) |
| **Closing net book amount as at 30 June 2016** | 1,863,078 | 188,673 | 116,256 | 304,929 |

## 9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the interim condensed consolidated balance sheet are as follows:

| | As at 30 June 2017 RMB'000 (Unaudited) | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Associates | **103,246** | 105,651 |
| Joint venture | **–** | – |
| | **103,246** | 105,651 |

The amounts recognised in the interim condensed consolidated statement of comprehensive income are as follows:

| | Six months ended 30 June | |
|---|---|---|
| | 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
| Associates | **(2,405)** | (2,285) |
| Joint venture | **–** | – |
| | **(2,405)** | (2,285) |

### Investment in associates

| | Six months ended 30 June | |
|---|---|---|
| | 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
| **Beginning of the period** | **105,651** | 110,891 |
| Share of losses of investments in associates | **(2,405)** | (2,285) |
| **End of the period** | **103,246** | 108,606 |

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

**Investment in associates** *(Continued)*

Set out below are associates of the Group as at 30 June 2017 and 31 December 2016:

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

*Notes:*

(i) The Group's acquisition of the 45% equity interest in Jiangxi Zhengge was completed in December 2014 and the goodwill arisen from the acquisition as included in the carrying amount of the Group's investment in Jiangxi Zhengge amounted to approximately RMB8,593,000.

Jiangxi Zhengge manufactures water-treatment chemicals, and its main products include sodium chlorate and hydrogen peroxide. The business of this associate is mainly conducted in Jiangxi, Guangdong and Hunan provinces.

(ii) 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.

(iii) Jiangxi Zhengge and Rongxin Trading are private companies and there is no quoted market price available for their shares.

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

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

**Investment in associates** *(Continued)*

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

| | Jiangxi Zhengge RMB'000 | Rongxin Trading RMB'000 | Total RMB'000 |
|---|---|---|---|
| **As at 30 June 2017 (Unaudited)** | | | |
| Assets | 521,607 | 89,225 | 610,832 |
| Liabilities | (382,869) | (11,912) | (394,781) |
| **As at 31 December 2016 (Audited)** | | | |
| Assets | 540,505 | 96,788 | 637,293 |
| Liabilities | (334,446) | (15,595) | (350,041) |
| **Six months ended 30 June 2017 (Unaudited)** | | | |
| Revenue | 123,473 | 49,602 | 173,075 |
| Group's share of (loss)/profit | (3,179) | 774 | (2,405) |
| Percentage held | 45% | 40% | |
| **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% | |

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

**Investment in joint venture**

Set out below are the joint venture of the Group as at 30 June 2017 and 31 December 2016:

| Name of entity | Place of business and country of incorporation | % of ownership interest | Measurement method |
|---|---|---|---|
| Fujian Jinsan Industrial Co., Ltd. *(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 Industrial Co., Ltd. ("Fujian Jinsan"). Fujian Rong Chang holds 33% of equity interests in Fujian Jinsan and Fujian Jinsan is jointly controlled by Fujian Rong Chang and the other joint ventures. Fujian Jinsan will be principally engaged in mineral processing, storage, logistics and warehousing services. As of 30 June 2017, Fujian Rong Chang and the other joint ventures have not yet made any capital contribution to Fujian Jinsan and Fujian Jinsan is still inactive.

## 10. OTHER NON-CURRENT ASSETS

| | As at 30 June 2017 RMB'000 (Unaudited) | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Long-term deposits | **188,083** | 246,230 |
| Long-term prepaid expenses | **5,167** | 4,770 |
| Prepayment for land use right | **10,610** | 10,610 |
| Others | **–** | 708 |
| | **203,860** | 262,318 |

## 11. INVENTORIES

| | As at 30 June 2017 RMB'000 (Unaudited) | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Raw materials | **19,208** | 18,937 |
| Work in progress | **157,207** | 164,038 |
| Finished goods | **24,125** | 25,695 |
| | **200,540** | 208,670 |

The cost of inventories recognised as expense and included in 'cost of sales' for the six months ended 30 June 2017 amounted to approximately RMB470,942,000 (2016: RMB610,340,000).

## 12. TRADE AND OTHER RECEIVABLES

| | As at 30 June 2017 RMB'000 (Unaudited) | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Trade receivables | | |
| Due from third parties | **375,248** | 291,643 |
| Less: Provision for impairment of receivables | **(2,442)** | (2,553) |
| | **372,806** | 289,090 |
| Bill receivables | **776** | 1,169 |
| Prepayments for purchases of raw materials from: | | |
| — a related party | **–** | 5,124 |
| — third parties | **5,991** | 7,064 |
| | **5,991** | 12,188 |
| Value-added tax input credits | **3,877** | 4,312 |
| Other receivables due from third parties | **227,954** | 172,103 |
| | **611,404** | 478,862 |

## 12. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group has a large number of customers, which are widely dispersed within the PRC and Southeast Asia. The credit terms are 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 30 June 2017 and 31 December 2016, the ageing analysis of the trade receivables based on recognition date were as follows:

| | **As at 30 June 2017 RMB'000 (Unaudited)** | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Within 3 months | **371,773** | 287,663 |
| Between 3 and 6 months | **175** | 1,046 |
| Between 6 and 12 months | **831** | 381 |
| Between 1 and 2 years | **27** | 930 |
| Above 2 years | **2,442** | 1,623 |
| | **375,248** | 291,643 |

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **As at 30 June 2017 RMB'000 (Unaudited)** | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Financial products as designed by a financial institution | **48,038** | 47,061 |

During the six months ended 30 June 2017, realised gain on settlement of financial assets at fair value through profit or loss and the unrealised fair value loss on financial assets at fair value through profit or loss amounted to approximately RMB1,172,000 (2016: RMB1,227,000) and RMB344,000 (2016: fair value gain RMB266,000) respectively and they have been recognised as "Other (losses)/gains — net" in the interim condensed consolidated statement of comprehensive income.

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Investments in financial assets at fair value through profit or loss are presented within "investing activities" in the interim condensed consolidated statement of cash flows.

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.

## 14. BORROWINGS

| | **As at 30 June 2017 RMB'000 (Unaudited)** | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| **Non-current** | | |
| Bank borrowings | **173,256** | 229,001 |
| Borrowings from other financial institution | **20,576** | 40,022 |
| Note instruments *(Note a)* | **99,753** | 101,280 |
| | **293,585** | 370,303 |
| **Current** | | |
| Current portion of long-term bank borrowings | **181,542** | 200,905 |
| Short-term bank borrowings | **582,799** | 600,891 |
| Borrowings from other financial institution | **71,525** | 55,528 |
| | **835,866** | 857,324 |
| **Total borrowings** | **1,129,451** | 1,227,627 |

## 14. BORROWINGS *(Continued)*

*Notes:*

(a) 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 (Note 15), each with aggregated principal amount of USD15,000,000, to the Initial Investor.

On 26 July 2016, the Company has issued note instruments to Chance Talent Management Limited with an aggregated principal amounts of USD15,000,000. The note instruments issued bear interests at fixed rate of 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. Upon the redemption of any of the note instruments, the Company have to pay the holders of the relevant note instruments a premium the amount of which would yield to the relevant holders of the note instruments an annualised internal rate of return of 10%.

(b) Movements in borrowings is analysed as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **Opening amount at beginning of the period** | **1,227,627** | 1,217,549 |
| Proceeds of borrowings from banks and other financial institutions | **380,058** | 418,979 |
| Repayments of borrowings to banks and other financial institutions | **(468,995)** | (495,112) |
| Exchange (gain)/loss | **(9,239)** | 8,822 |
| **Closing amount at end of the period** | **1,129,451** | 1,150,238 |

## 15. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

**Convertible bonds**

| | Six months ended 30 June | |
|---|---|---|
| | **2017 RMB'000 (Unaudited)** | 2016 RMB'000 (Unaudited) |
| **Opening book amount at beginning of the period** | **107,246** | – |
| Payments of interests | **(3,860)** | – |
| Fair value gain of financial liabilities at fair value through profit or loss | **(76)** | – |
| **Closing book amount at end of the period** | **103,310** | – |

The Company has issued convertible bonds with aggregated principal amounts of USD15,000,000 on 17 August 2016 (the "Issue Date") in accordance with the investment agreement as mentioned in Note 14(a). The convertible bonds bear interest at the fixed rate of 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 at any time prior to the original maturity date 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. If the convertible bonds are to be redeemed by the Company (rather than converting into the Company's shares by the investor upon the maturity date), the Company has to pay the holders of the relevant convertible bonds a premium the amount of which would yield to the relevant holders of the convertible bonds an annualised internal rate of return of 10%. During the six months ended 30 June 2017, no convertible bonds have been converted into the Company's ordinary shares.

The Company designated the whole convertible bonds as financial liabilities at fair value through profit or loss and initially recognised the convertible bonds at fair value. In subsequent periods, such convertible bonds are measured at fair value with changes in fair values recognised in profit or loss. Transaction costs relating to the issuance of the convertible bonds were charged to profit or loss immediately.

## 15. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

**Convertible bonds** *(Continued)*

The fair values of the convertible bonds were determined by an independent qualified valuer based on the Binomial Model, with the following key assumptions:

| | For fair value as at 30 June 2017 | For fair value as at 31 December 2016 |
|---|---|---|
| Risk free interest rate | **1.10%** | 1.62% |
| Expected volatility | **49.80%** | 46.69% |
| Expected dividend yield | **1.48%** | 1.71% |
| Time to maturity | **1.13 years** | 1.63 years |

## 16. TRADE AND OTHER PAYABLES

| | As at 30 June 2017 RMB'000 (Unaudited) | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Trade payables *(Note)* | | |
| Due to third parties | **171,044** | 113,528 |
| Due to a related party | **12,905** | – |
| | **183,949** | 113,528 |
| Bill payables due to third parties | **149,056** | 170,945 |
| Other payables and accruals | | |
| Due to third parties | **154,567** | 141,836 |
| Due to a related party | **4,196** | – |
| | **158,763** | 141,836 |
| Advances from customers | | |
| Due to third parties | **19,715** | 7,502 |
| Due to a related party | **22,000** | – |
| | **41,715** | 7,502 |
| | **533,483** | 433,811 |

## 16. TRADE AND OTHER PAYABLES *(Continued)*

*Note:*

As at 30 June 2017 and 31 December 2016, the ageing analysis of the trade payables based on recognition date were as follows:

| | As at 30 June 2017 RMB'000 (Unaudited) | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Within 3 months | **171,007** | 100,052 |
| Between 3 and 6 months | **3,201** | 4,852 |
| Between 6 and 12 months | **5,850** | 4,662 |
| Between 1 and 2 years | **3,358** | 3,878 |
| Above 2 years | **533** | 84 |
| | **183,949** | 113,528 |

## 17. EXPENSES BY NATURE

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Changes in inventories of finished goods and work in progress | **8,401** | 7,931 |
| Raw materials used | **462,541** | 602,409 |
| | **470,942** | 610,340 |
| Electricity and other utility fees | **215,881** | 227,055 |
| Depreciation of property, plant and equipment *(Note 8)* | **89,709** | 85,197 |
| Employee benefit expenses | **46,459** | 46,970 |
| Transportation and related charges | **28,979** | 31,873 |
| Taxes and surcharges | **7,757** | 8,549 |
| Amortisation of land use rights *(Note 7)* | **1,015** | 1,015 |
| Amortisation of intangible assets *(Note 8)* | **6,785** | 6,785 |
| Office and entertainment expenses | **5,051** | 5,163 |
| Operating leases expenses | **868** | 840 |
| Property insurance fee | **1,508** | 1,787 |
| Travelling expenses | **848** | 997 |
| Repairs and maintenance | **5,960** | 6,038 |
| (Reversal of)/provision for impairment of trade receivables | **(111)** | 1,153 |
| Other expenses | **11,302** | 21,373 |
| Total cost of sales, selling and marketing expenses and administrative expenses | **892,953** | 1,055,135 |

## 18. FINANCE INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Interest income from bank deposits | **2,830** | 6,284 |

## 19. FINANCE EXPENSES

| | Six months ended 30 June | |
|---|---|---|
| | **2017 RMB'000 (Unaudited)** | 2016 RMB'000 (Unaudited) |
| Interest expenses: | | |
| — Borrowings | **37,772** | 32,106 |
| — Discounted bills receivable | **4,528** | 3,739 |
| — Letters of credit | **1,429** | 1,306 |
| | **43,729** | 37,151 |
| Less: Interest capitalised in property, plant and equipment | **(237)** | (418) |
| | **43,492** | 36,733 |
| Other finance charges | **1,684** | 1,857 |
| Net foreign exchange (gains)/losses on financing activities | **(9,239)** | 9,570 |
| | **35,937** | 48,160 |

## 20. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit for the period of six months ended 30 June 2017 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 2017.

| | Six months ended 30 June | |
|---|---|---|
| | **2017 (Unaudited)** | 2016 (Unaudited) |
| Profit attributable to equity holders of the Company (RMB'000) | **36,716** | 79,332 |
| Weighted average number of ordinary shares in issue (thousand) | **802,191** | 802,191 |
| Basic earnings per share (RMB Yuan) | **0.05** | 0.10 |

## 20. 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. The Company's convertible bonds (Note 15) are on the category of dilutive potential ordinary shares. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the fair value loss of convertible bonds which are not subject to tax.

| | Six months ended 30 June | |
|---|---|---|
| | **2017 (Unaudited)** | 2016 (Unaudited) |
| Earnings | | |
| Profit attributable to equity holders of the Company (RMB'000) | **36,716** | 79,332 |
| Adjustment for fair value gain of the convertible bonds | **(76)** | – |
| Profit used to determine diluted earnings (RMB'000) | **36,640** | 79,332 |
| Weighted average number of ordinary shares in issue for basic earnings per share (thousands) | **802,191** | 802,191 |
| Adjustments for: | | |
| Assumed conversion of the convertible bonds | **55,289** | – |
| Weighted average number of ordinary shares for diluted earnings per share (thousands) | **857,480** | 802,191 |
| Diluted earnings per share (RMB Yuan) | **0.04** | 0.10 |

## 21. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Current income tax | | |
| — PRC enterprise income tax (a) | **20,147** | 36,189 |
| — Hong Kong profits tax (b) | **–** | – |
| | **20,147** | 36,189 |
| Deferred income tax credit | **(1,604)** | (1,604) |
| | **18,543** | 34,585 |

(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.

(c) As at 30 June 2017, deferred income tax liabilities of approximately RMB151,568,000 (as at 31 December 2016: RMB147,792,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of the subsidiaries in the Mainland China. As at 30 June 2017, unremitted earnings of these subsidiaries amounted to approximately RMB1,515,676,000 (as at 31 December 2016: RMB1,477,918,000).

## 22. DIVIDENDS

The Board of Directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2016. A dividend of approximately HKD15,402,000, equivalent to approximately RMB12,915,000, related to the year ended 31 December 2015 was declared on 13 June 2016 and subsequently paid in July 2016.

The Board of Directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2017 (2016: Nil).

## 23. COMMITMENTS

### (a) Capital commitments

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

| | As at 30 June 2017 RMB'000 (Unaudited) | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Property, plant and equipment | **19,499** | 15,024 |

### (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 2017 RMB'000 (Unaudited) | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| No later than 1 year | **1,721** | 1,703 |
| 1–5 years | **2,135** | 2,866 |
| | **3,856** | 4,569 |

## 24. RELATED-PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to 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 a related party

| | Six months ended 30 June | |
|---|---|---|
| | **2017 RMB'000 (Unaudited)** | 2016 RMB'000 (Unaudited) |
| Associate | **25,107** | 70,311 |

### (b) Receipts in advance from a related party

| | Six months ended 30 June | |
|---|---|---|
| | **2017 RMB'000 (Unaudited)** | 2016 RMB'000 (Unaudited) |
| Associate | **22,000** | – |

### (c) Expense paid on behalf of the Company by a related party

| | Six months ended 30 June | |
|---|---|---|
| | **2017 RMB'000 (Unaudited)** | 2016 RMB'000 (Unaudited) |
| A shareholder | **4,196** | – |

## 24. RELATED-PARTY TRANSACTIONS *(Continued)*

### (d) Period-end balances

| | As at 30 June 2017 RMB'000 (Unaudited) | As at 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Prepayment to a related party *(Note 12)* | | |
| Associate | – | 5,124 |
| Trade payables to a related party *(Note 16)* | | |
| Associate | 12,905 | – |
| Other payables to a related party *(Note 16)* | | |
| A shareholder | 4,196 | – |
| Advance from a related party *(Note 16)* | | |
| Associate | 22,000 | – |

### (e) Key management compensation

| | Six months ended 30 June | |
|---|---|---|
| | 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
| Salaries, wages and bonuses | 2,979 | 2,837 |
| Contributions to pension plan | 171 | 149 |
| | 3,150 | 2,986 |

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

# 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 2017.

## DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2017, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register required to be maintained by the Company; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

### (I) Long positions in the shares and underlying shares of the Company

| Name of directors | Nature of interest | Number of shares/ underlying shares held | Percentage of issued share capital | *Note* |
|---|---|---|---|---|
| Liem Djiang Hwa | Interests in controlled corporation | 419,949,888 | 52.35% | *(1)* |
| Lam Wai Wah | Interests in controlled corporation | 419,949,888 | 52.35% | *(2)* |

## (II) Long positions in the shares of associated corporations

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

*Notes:*

(1) Mr. Liem Djiang Hwa is indirectly interested in the Company through Yihua Crown Limited, which in turn is indirectly interested in the Company through China First Chemical Ltd.

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

Save as those disclosed above, as at 30 June 2017, the directors and chief executive of the Company did not have any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or were required, pursuant to section 352 of the SFO, to be entered in the register required to be maintained by the Company; or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, 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)(4) |
| China Renaissance Capital Investment II, L.P. | Interests in controlled corporation | 180,050,112 | 22.44%(3)(5) |
| China Harvest Fund II, L.P. | Interests in controlled corporation | 180,050,112 | 22.44%(3)(6) |
| Trophy Group Limited | Beneficial owner | 180,050,112 | 22.44%(3) |
| Central Huijin Investment Ltd. | Interests in controlled corporation | 55,283,840 | 6.89%(7) |
| China Construction Bank Corporation | Interests in controlled corporation | 55,283,840 | 6.89%(7) |

*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) The percentage is calculated based on the issued share capital of the Company as at 30 June 2017.

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

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

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

(7) Central Huijin Investment Ltd. is the substantial shareholder of China Construction Bank Corporation.

Save as those disclosed above, as at 30 June 2017, 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.

## CHANGES OF DIRECTOR'S INFORMATION

Subsequent to publication of the 2016 Annual Report of the Company, notification was received regarding the following change of Director's information, which is required to be disclosed pursuant to Rule 13.51(2), Rule 13.51B(1) and Rule 13.51B(2) of the Listing Rules.

With effect from June 2017, Dr. He Peipei, an Independent Non-executive Director, is appointed as assistant professor at the Law School of Fuzhou University.

## CORPORATE GOVERNANCE

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

On 15 October 2016, Dr. Kou Huichong resigned as an Independent Non-executive Director of the Company, chairman of Nomination Committee, chairman of Remuneration Committee and member of Audit Committee. Following the aforesaid resignation, the Company has two Independent Non-executive Directors and two members of each Committee.

According to Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors. Pursuant to Rule 3.21 of the Listing Rules, audit committee of listed issuers must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2). The majority of the audit committee members must be independent non-executive directors of the listed issuer. The audit committee must be chaired by an independent non-executive director.

The Board has made its best endeavours to appoint Dr. He Peipei as Independent Non-executive Director on 13 January 2017 and she was also appointed as chairman of Nomination Committee, chairman of Remuneration Committee and member of Audit Committee of the Company.

Apart from this, the Company has complied with the code provisions set out in the CG Code during the period from 1 January 2017 to 30 June 2017. 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 2017.

## AUDIT COMMITTEE'S REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the analysis on the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2017, the accounting principles and practices adopted by the Group, and the Group's internal control functions.

## INTERIM DIVIDEND

The Directors have not recommended the payment of an interim dividend for the six months ended 30 June 2017 (2016: 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 2017, 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. Wang Xin
Dr. Lin Zhang
Dr. He Peipei

## REGISTERED OFFICE

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

## HEADQUARTERS IN THE PRC

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

## PLACE OF BUSINESS IN HONG KONG

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

## COMPANY'S WEBSITE

www.cfc2121.com

## COMPANY SECRETARY

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

## AUTHORISED REPRESENTATIVES

Mr. Lam Wai Wah
Ms. Miao Fei

## ALTERNATE AUTHORISED REPRESENTATIVE

Ms. Yuen Wing Yan, Winnie

## AUDIT COMMITTEE

Dr. Wang Xin *(Chairman)*
Dr. Lin Zhang
Dr. He Peipei

## REMUNERATION COMMITTEE

Dr. He Peipei *(Chairman)*
Dr. Lin Zhang
Ms. Miao Fei

## NOMINATION COMMITTEE

Dr. He Peipei *(Chairman)*
Dr. Lin Zhang
Mr. Lam Wai Wah