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 RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

Financial Highlights (in RMB'000, unless otherwise stated)	**For the six months ended 30 June 2015**	**2014**	**Growth %**
Revenue	**884,859**	690,232	**28.2%**
Gross profit	**171,243**	231,346	**(26.0)%**
Profit attributable to equity holders of the Company	**65,482**	124,098	**(47.2)%**
Earnings per share			
— Basic (RMB)	**0.08**	0.15	**(47.2)%**
— Diluted (RMB)	**0.08**	0.15	**(47.2)%**
EBITDA	**185,564**	232,786	**(20.3)%**
	As at 30 June 2015	31 December 2014	
Total equity	**2,055,375**	2,006,858	**2.4%**
Net asset per share (RMB)	**2.56**	2.50	**2.4%**

The board (the "Board") of directors (the "Directors") of China First Chemical Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2015 together with the comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2015

	Note	For the six months ended 30 June 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue	4	**884,859**	690,232
Cost of sales	7	**(713,616)**	(458,886)
Gross profit		**171,243**	231,346
Selling and marketing expenses	7	**(32,455)**	(19,869)
Administrative expenses	7	**(41,174)**	(31,161)
Other income		**751**	1,335
Other losses — net	5	**(1,285)**	(24)
Operating profit		**97,080**	181,627
Finance income		**8,608**	1,864
Finance costs	6	**(29,072)**	(16,218)
Finance (cost)/income — net		**(20,464)**	(14,354)
Share of loss of an associate		**(3,175)**	–
Gain on disposal of previous investments accounting for equity method		**12,857**	–
Profit before income tax		**86,298**	167,273
Income tax expense	8	**(20,816)**	(43,175)
Profit and total comprehensive income for the period		**65,482**	124,098
Attributable to:			
— Equity holders of the Company		**65,482**	124,098
— Non-controlling interests		**–**	–
		65,482	124,098
Earnings per share attributable to the equity holders of the Company (RMB)			
— Basic	9	**0.08**	0.15
— Diluted	9	**0.08**	0.15
Dividends	10	**16,965**	24,856

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2015

	Note	**As at 30 June 2015 RMB'000 (Unaudited)**	As at 31 December 2014 RMB'000 (Audited)
ASSETS			
Non-current assets			
Land use rights		**82,895**	72,039
Property, plant and equipment		**1,756,460**	1,211,946
Goodwill		**188,673**	–
Intangible assets		**129,817**	3,711
Investment in associates			
— Investment accounted for using the equity method		**109,529**	112,704
Deferred income tax assets		**414**	914
Restricted fixed deposit		**118,665**	–
Other non-current assets		**8,381**	208,230
		2,394,834	1,609,544
Current assets			
Inventories		**231,966**	166,479
Trade and other receivables	*11*	**594,174**	263,296
Financial assets at fair value through profit or loss		**61,303**	–
Restricted cash		**224,010**	303,618
Cash and cash equivalents		**468,832**	725,234
		1,580,285	1,458,627
Total assets		**3,975,119**	3,068,171
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**65,346**	65,346
Reserves		**756,940**	773,905
Retained earnings		**1,233,089**	1,167,607
Total equity		**2,055,375**	2,006,858

	Note	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**386,984**	347,253
Deferred income		**11,754**	12,504
Deferred income tax liabilities		**30,280**	743
		429,018	360,500
Current liabilities			
Trade and other payables	*12*	**633,060**	187,368
Current income tax liabilities		**16,371**	5,871
Borrowings		**841,295**	507,574
		1,490,726	700,813
Total liabilities		**1,919,744**	1,061,313
Total equity and liabilities		**3,975,119**	3,068,171
Net current assets		**89,559**	757,814
Total assets less current liabilities		**2,484,393**	2,367,358

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 24 November 2010, and was listed on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange") on 9 December 2011. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is a leading specialty chemicals provider in China specializing in bleaching and disinfectant chemicals and other chemical products.

This condensed consolidated interim financial information is presented in thousands of Renminbi ("RMB'000"), unless otherwise indicated, and approved for issue on 31 August 2015 by the Board of Directors.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed consolidated interim financial information are consistent with those of the annual financial information for the year ended 31 December 2014, unless otherwise stated.

There are no amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

There are certain new standards and amendments to standards which have been issued but are not yet effective for the year beginning 1 January 2015 and have not been early adopted by the Company in the unaudited condensed interim financial information. Management expected the adoption of the above would not have significant impact on the Group.

4. SEGMENT INFORMATION

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

Majority of the Group's products are sold to customers in the PRC. The Group has a large number of customers, which are widely dispersed within the PRC and overseas, no single customer accounted for more than 10% of the Group's total revenues for the six months ended 30 June 2015 and 30 June 2014.

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

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

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

	Six months ended 30 June 2015 (Unaudited)			
	Bleaching and disinfectant chemicals	**Forming agent**	**Other specialty chemicals**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***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 amortization				**70,194**
Finance income				**8,608**
Finance expense				**(29,072)**
Income tax expense				**(20,816)**

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

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

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

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

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

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

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

5. OTHER LOSSES — NET

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss on disposal of property, plant and equipment	**(1,285)**	(24)

6. FINANCE COSTS

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

7. EXPENSES BY NATURE

The Group's cost of sales, selling and marketing expenses and administrative expenses represent the following items:

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

8. INCOME TAX EXPENSES

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

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

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

(c) Deferred income tax liabilities of RMB16,264,000 (31 December 2014: RMB15,764,000) have not been recognized for the withholding tax that would be payable on the unremitted earnings of PRC subsidiaries. Such amounts are expected to permanently reinvest in these subsidiaries. Unremitted earnings of these subsidiaries amounting to RMB1,301,126,000 at 30 June 2015 (31 December 2014: RMB1,261,157,000).

9. EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

10. DIVIDEND

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

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

11. TRADE AND OTHER RECEIVABLES

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

The carrying amounts of receivables approximate their fair values.

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

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

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

12. TRADE AND OTHER PAYABLES

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

Details of ageing analysis of trade payables are as follows:

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

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

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

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

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

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

Future Prospect

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

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

FINANCIAL REVIEW

Revenue

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

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

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

Bleaching and disinfectant chemicals

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

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

Other chemical products

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

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

Cost of sales

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

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

Gross profit and gross margin

Our gross profit decreased by approximately RMB60.1 million or 26.0% to RMB171.2 million for the period under review from RMB231.3 million for the corresponding period last year. The overall gross margin decreased from 33.5% for the six months ended 30 June 2014 to 19.4% for the six months ended 30 June 2015, which was primarily due to (i) the decrease in average selling price of sodium chlorate, hydrogen peroxide, and foaming agent as a result of market condition; and (ii) the fact that the Company owns a complete package of key process technologies and has the advantage of stable and reliable production and sound energy saving effects, whose indicators outperform that of other domestic enterprise.

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

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

Bleaching and disinfectant chemicals

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

Other chemical products

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

Selling and marketing expenses

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

Administrative expenses

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

Other income

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

Other losses, net

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

Finance income

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

Finance costs

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

Income tax expense

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

Profit for the period

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

LIQUIDITY AND CAPITAL RESOURCES

Financial position and bank borrowings

The Group has historically funded our cash requirements principally from cash generated from our operations and bank borrowings, as well as equity financing through shareholders.

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

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

Working capital

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

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

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

Capital commitments

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

Contingent liabilities

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

Employees and remuneration policy

As at 30 June 2015, the Group employed a total of 1,530 full time employees. For the six months ended 30 June 2015, the employee benefit expense was approximately RMB45.6 million. The Group's employee benefits included housing subsidies, shift subsidies, bonuses, allowances, medical check-up, staff quarters, social insurance contributions and housing fund contributions. The remuneration committee of the Company reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive remuneration in the form of fees, salaries, bonuses and other allowances.

OTHER INFORMATION

Corporate Governance

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

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

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

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

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

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

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

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

Model Code for Securities Transactions by Directors

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

Audit Committee's Review of Financial Information

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

Purchase, Sale and Redemption of Listed Securities

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

Publication of Interim Results and Interim Report

The interim results and the interim report for the six months ended 30 June 2015 containing all relevant information as prescribed by the Listing Rules shall be published on the Stock Exchange's website (www.hkexnews.com.hk) and the Company's website (www.cfc2121.com) in due course.

By order of the Board of
China First Chemical Holdings Limited
Mr. Liem Djiang Hwa
Chairman

31 August 2015

As at the date of this announcement, the Board comprises the Chairman and the non-executive director namely Mr. Liem Djiang Hwa, the executive directors namely Mr. Chen Hong, Ms. Miao Fei and Mr. Lam Wai Wah and the independent non-executive directors namely Dr. Kou Huizhong and Dr. Wang Xin.