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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)

**(1) APPOINTMENT OF INVESTIGATING ACCOUNTANT;
(2) UPDATE ON THE PUBLICATION OF THE 2018 INTERIM RESULTS
AND THE DESPATCH OF THE 2018 INTERIM REPORT
AND DELAY IN THE PUBLICATION OF 2018 ANNUAL RESULTS;
(3) BUSINESS UPDATE
AND
(4) CONTINUED SUSPENSION OF TRADING IN SHARES**

This announcement is made by China First Chemical Holdings Limited pursuant to Rules 13.09(2), 13.24A and 13.49(3) of the Listing Rules.

References are made to (1) the announcements of the Company dated 15 August 2018, 21 August 2018, 31 August 2018, 30 October 2018, 5 December 2018, 20 December 2018, 11 January 2019 and 1 February 2019 respectively, informing the shareholders of the Company (the “**Shareholders**”) and potential investors, among other things, the suspension of trading in the Shares pending the publication of the 2018 Interim Results and the despatch of the 2018 Interim Report, the appointment of an investigating accountant and the business update of the Group; and the announcement of the Company dated 9 November 2018 in relation to the Resumption Guidance.

Unless otherwise defined, terms used in this announcement are same as those defined in the Company’s announcement dated 20 December 2018.

APPOINTMENT OF AN INVESTIGATING ACCOUNTANT

As disclosed in the Company’s announcement dated 9 November 2018, one of the Resumption Guidance is that the Company needs to conduct an appropriate investigation into the issues identified by the auditor of the Company, announce the findings, address the auditor’s concerns and take appropriate remedial actions. In this connection, the Board is pleased to announce that Grant Thornton Advisory Services Limited (“**Grant Thornton**”), an independent professional investigating accounting firm, has been appointed to investigate

the issues and matters referred to in the receivables from a co-operative partner of a subsidiary of the Company of approximately RMB231 million for the purpose of the 2018 Interim Results and the issues and matters leading to the delay in the publication of the 2018 Interim Results and the despatch of the 2018 Interim Report and suspension of trading in the Shares (the “**Independent Investigation**”). The scope of work of Grant Thornton includes but not limited to the following:

- (a) reviewing the relevant accounting documents, agreements, correspondences and other supporting documents, conducting the background checks of the relevant parties regarding the Independent Investigation;
- (b) conducting confirmation procedures with the relevant parties regarding the Independent Investigation;
- (c) interviewing the management, directors, and relevant employees as well as other relevant persons involved in the Independent Investigation;
- (d) reviewing internal control documentation and procedures regarding the Independent Investigation; and
- (e) carrying out computer forensics over the relevant electronic records and analyzing the information related to the Independent Investigation.

It is expected that the Independent Investigation will be completed around three to four months after commencement of Grant Thornton’s work. The Company will work closely with Grant Thornton to complete the Independent Investigation and to publish the announcement of the findings of the Independent Investigation and the remedial actions taken by the Company as soon as practicable.

UPDATE ON THE PUBLICATION OF THE 2018 INTERIM RESULTS AND DESPATCH OF THE 2018 INTERIM REPORT AND DELAY IN THE PUBLICATION OF THE 2018 ANNUAL RESULTS

As disclosed above, Grant Thornton has just been appointed to conduct the Independent Investigation and accordingly, the publication of the 2018 Interim Results and the despatch of the 2018 Interim Report shall be delayed pending the results of the Independent Investigation.

In view of the delay in the publication of the 2018 Interim Results and the despatch of the 2018 Interim Report pending the results of the Independent Investigation, the Board announces that the publication of the annual results for the year ended 31 December 2018 (“**2018 Annual Results**”) will also be delayed pending the results of the Independent Investigation.

The Board acknowledges that the delay in the publication of the 2018 Annual Results will constitute non-compliance of Rule 13.49(1) of the Listing Rules.

The Company expects that upon completion of the Independent Investigation, the Company will proceed to the process of the publication of the 2018 Interim Results and the 2018 Annual Results and the despatch of the 2018 Interim Report involving the audit procedures, review by the Audit Committee and the approval by the Board.

The Company will publish further announcement(s) to inform the Shareholders and potential investors the date of the meeting of the Board and the publication of the 2018 Interim Results and the 2018 Annual Results, the expected date of despatch of the 2018 Interim Report as well as any other material information as and when appropriate.

BUSINESS UPDATE

As at the date of this announcement, the Group is carrying out business and operation activities as usual.

With Chinese government emphasis on ecological environment and environmental water treatment have both been raised to an unprecedented standard. This offers huge potential for the Group to capture as environmental protection industry is policy-driven. The Group continues to establish strategic partnerships with scientific research institutes, taking the road of Industry-Academia-Research development and involving in a wide range of businesses in areas such as waste water treatment, solid waste treatment and eco-friendly pharmaceuticals with an aim to turning the Group into an integrated water treatment service provider. In 2018, the Group established its own reputation and received positive feedbacks by delivering quality solutions for the comprehensive treatment of sewage in towns and industrial parks through its own research and development team.

The Group focuses on improving its efficiency and reducing its internal energy consumption, and benefiting from China's stringent government environmental protection regulations, the Group's overall performance and gross profit margin were able to maintain flat compared to last year. With the increasing demand by downstream customers, and the suspended production of some not-up-to-standard small and medium-sized manufacturers in the industry by the local authorities, we estimate that the market supply and demand relationship of water treatment products will reach a new equilibrium and the unit price is expected to rise steadily.

In order to improve technology, expand scale, improve production efficiency and enhance market competitiveness, the construction of the new chemical industrial park was commenced in 2016 and has been pushed forward steadily.

The Company will keep its shareholders and potential investors informed of any material development in connection with the above matters.

CONTINUED SUSPENSION OF TRADING IN SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:00 am on 31 August 2018 and will remain suspended pending satisfaction of the Resumption Guidance.

The Company is taking appropriate steps to resolve the issues causing the suspension of trading in the Shares and to fully satisfy the Resumption Guidance to the Stock Exchange's satisfaction. The Company will seek to resume trading in the Shares as soon as possible.

The Company will keep its shareholders and potential investors informed of any material development in connection with the above matters, including but not limited to any material change to the resumption progress, by way of publication of the quarterly announcements under Rule 13.24A of the Listing Rules and/or further announcements as and when appropriate.

By order of the Board of
China First Chemical Holdings Limited
Liem Djiang Hwa
Chairman and non-executive director

The People's Republic of China, 28 February 2019

As at the date of this announcement, the directors of the Company are:

Executive Directors:

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

Non-executive Director:

Mr. Liem Djiang Hwa (*Chairman*)

Independent non-executive Directors:

Dr. Lin Zhang
Dr. He Peipei
Mr. Ng Ka Lok