CHINA FIRST CHEMICAL HOLDINGS LIMITED

一 化 控 股（中 國）有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2121)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

Financial Highlights	**2013**	2012	Variance
	RMB'000	*RMB'000*	*%*
Revenue	**1,510,022**	1,619,634	(6.8%)
Gross profit	**466,586**	464,684	0.4%
Profit attributable to equity holders of the Company	**250,257**	249,712	0.2%
Earnings per share			
— Basic *(RMB)*	**31.20 cents**	31.13 cents	0.2%
— Diluted *(RMB)*	**31.20 cents**	31.13 cents	0.2%
Total equity	**1,860,090**	1,632,122	14.0%
Net asset per share *(RMB)*	**2.32**	2.03	14.0%

The Board of Directors (the "Board") of China First Chemical Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**1,510,022**	1,619,634
Cost of sales	*7*	**(1,043,436)**	(1,154,950)
Gross profit		**466,586**	464,684
Selling and marketing expenses	*7*	**(41,934)**	(38,302)
Administrative expenses	*7*	**(66,273)**	(66,394)
Other income		**3,369**	2,039
Other losses — net	*5*	**(1,897)**	(1,755)
		359,851	360,272
Operating profit			
Finance income		**3,512**	5,157
Finance costs	*6*	**(28,004)**	(28,379)
Finance costs — net		**(24,492)**	(23,222)
Share of loss of an investments accounted for using equity method	*12*	**–**	–
Profit before income tax		**335,359**	337,050
Income tax expense	*9*	**(85,102)**	(86,801)
Profit and total comprehensive income for the year		**250,257**	250,249
Attributable to:			
— Equity holders of the Company		**250,257**	249,712
— Non-controlling interests		**–**	537
		250,257	250,249
Earnings per share attributable to the equity holders of the Company *(RMB)*			
— Basic	*10*	**0.31**	0.31
— Diluted	*10*	**0.31**	0.31
Proposed final dividend	*11*	**25,026**	25,007

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2013** *RMB'000*	2012 *RMB'000*
ASSETS			
Non-current assets			
Land use rights		**73,803**	75,567
Property, plant and equipment		**1,165,438**	1,064,238
Intangible assets		**4,105**	4,499
Investment accounted for using the equity method	*12*	**–**	–
Deferred income tax assets		**1,425**	523
		1,244,771	1,144,827
Current assets			
Inventories	*13*	**156,001**	166,148
Trade and other receivables	*14*	**239,904**	296,901
Cash and cash equivalents		**784,153**	778,553
Restricted cash		**112,617**	61,491
		1,292,675	1,303,093
Total assets		**2,537,446**	2,447,920
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**65,346**	65,346
Reserves		**780,100**	777,033
— Proposed final dividend		**25,026**	25,007
— Others		**755,074**	752,026
Retained earnings		**1,014,644**	789,743
Total equity		**1,860,090**	1,632,122
LIABILITIES			
Non-current liabilities			
Borrowings		**68,078**	90,750
Deferred income		**14,006**	15,508
Deferred tax liabilities		**743**	–
		82,827	106,258
Current liabilities			
Derivative financial instruments	*15*	**–**	–
Trade and other payables	*16*	**246,135**	369,837
Current income tax liabilities		**25,397**	12,346
Borrowings		**322,997**	327,357
		594,529	709,540
Total liabilities		**677,356**	815,798
Total equity and liabilities		**2,537,446**	2,447,920
Net current assets		**698,146**	593,553
Total assets less current liabilities		**1,942,917**	1,738,380

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 foaming agent.

2. BASIS OF PRESENTATION AND PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3. APPLICATION OF NEW AND REVISED IFRSs

The Group has not applied the following new and revised IFRSs, amendments and interpretations that have been issued but are not yet effective, in these financial statements.

IAS 32 (Amendments)	'Financial instruments: Presentation' on asset and liability offsetting[1]
IAS 36 (Amendments)	Recoverable amount disclosures for non-financial assets[1]
IAS 39 (Amendments)	Novation of derivatives[1]
IFRS 10, IFRS 12 and IAS 27 (Amendments)	Investment entities[1]
IFRS 7 and IFRS 9 (Amendments)	Mandatory effective date and transaction disclosures[3]
IFRS 9	Financial Instruments[3]
IFRIC Int 21	Levies[1]
Annual Improvements Project	Annual Improvements 2010–2013 cycle[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2015

The Directors of the Company anticipate that the application of these new standards, amendments and interpretations will have no material impact on the results of operations and financial positions of 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 Board of 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, Other special chemicals respectively, the Bleaching and disinfectant chemicals, Forming agent, Other special chemicals are considered to be three reportable segments in accordance with IFRS 8 "Operating 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 year ended 2013 and 2012.

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

The 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 year ended 31 December 2013 and as at 31 December 2013 is as follows:

	Year ended 31 December 2013			
	Bleaching and disinfectant chemicals	**Forming agent**	**Other specialty chemicals**	**Total**
Segment revenue	**669,280**	**586,841**	**253,901**	**1,510,022**
Inter-segment revenue	**–**	**–**	**–**	**–**
Revenue from external customers	**669,280**	**586,841**	**253,901**	**1,510,022**
Gross profit	**232,062**	**144,713**	**89,811**	**466,586**
Unallocated				
Depreciation and amortisation				**94,443**
Finance income				**3,512**
Finance expense				**(28,004)**
Income tax expense				**(85,102)**
Total assets				**2,537,446**
Total liabilities				**677,356**

	Year ended 31 December 2012			
	Bleaching and disinfectant chemicals	Forming agent	Other specialty chemicals	Total
Segment revenue	596,835	759,378	263,421	1,619,634
Inter-segment revenue	–	–	–	–
Revenue from external customers	596,835	759,378	263,421	1,619,634
Gross profit	197,739	160,204	106,741	464,684
Unallocated				
Depreciation and amortisation				69,161
Finance income				5,157
Finance expense				(28,379)
Income tax expense				(86,801)
Total assets				2,447,920
Total liabilities				815,798

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

Revenue from eternal 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.

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Revenue		
Mainland China	**1,313,329**	1,398,811
Overseas	**196,693**	220,823
	1,510,022	1,619,634

5. OTHER LOSSES — NET

	For the year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Loss on disposals of property, plant and equipment	**(1,897)**	(1,755)
	(1,897)	(1,755)

6. FINANCE EXPENSES

	For the year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Interest expenses:		
— Bank borrowings	**24,285**	27,796
— Discount interest for bill payables	**8,880**	7,521
— Other charges	**2,669**	1,782
	35,834	37,099
Less: Interest capitalized in property, plant and equipment	**(2,305)**	(4,311)
	33,529	32,788
Loss on forward foreign exchange contracts	**16,708**	–
Net foreign exchange gains	**(22,233)**	(4,409)
	28,004	28,379

7. EXPENSES BY NATURE

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

	For the year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Raw materials used and changes in inventories	**623,290**	769,009
Depreciation of property, plant and equipment	**92,285**	67,179
Electricity and other utility fees	**283,845**	269,872
Employee benefit expenses	**67,836**	66,799
Transportation and related charges	**36,403**	26,975
Taxations	**9,028**	12,984
Amortization of land use rights	**1,764**	1,764
Amortization of intangible assets	**394**	218
Office and entertainment expenses	**10,982**	14,771
Operating lease expenses	**1,518**	1,349
Property insurance fee	**2,231**	2,048
Travelling expenses	**1,407**	1,833
Repairs and maintenance	**6,330**	9,985
Auditors' remuneration	**3,150**	3,050
Research and development costs	**1,361**	–
Impairment loss for trade and other receivables	**799**	–
Other expenses	**9,020**	11,810
	1,151,643	1,259,646

8. EMPLOYEE BENEFIT EXPENSES

	For the year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Directors' remuneration		
— Wages, salaries and bonuses	**2,350**	2,329
— Contribution to pension plan	**52**	49
— Pre-IPO option scheme expenses	**2,043**	2,043
	4,445	4,421
Other staff costs		
— Wages, salaries and bonuses	**46,179**	44,605
— Contribution to pension plan	**8,722**	8,237
— Welfare and other expenses	**8,130**	9,176
— Pre-IPO option scheme expenses	**360**	360
	63,391	62,378
	67,836	66,799

9. INCOME TAX EXPENSES

	For the year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Current income tax		
— PRC enterprise income tax	**85,155**	87,154
— Hong Kong profits tax	**106**	–
Deferred income tax credit	**(159)**	(353)
	85,102	86,801

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate of companies comprising the Group is set out as follows:

	For the year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Profit before income tax	**335,359**	337,050
Tax calculated at domestic tax rates applicable to profits in the respective countries	**83,697**	84,262
Expenses not deductible for tax purpose	**2,470**	2,690
Income not subject to taxation	**(1,065)**	(151)
	85,102	86,801

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.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2013.

10. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	For the year ended 31 December	
	2013	2012
Profit attributable to equity holders of the Company *(RMB'000)*	**250,257**	249,712
Weighted average number of ordinary shares in issue *(thousand)*	**802,191**	802,167
Basic earnings per share *(RMB yuan)*	**0.31**	0.31

(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 pre-IPO share options granted by the Company are taken into the consideration when the Company calculates the diluted earnings per share. The average market price of the shares issued for the year ended 31 December 2013 is lower than the exercise price of the pre-IPO share options, the pre-IPO share options are therefore not included in the diluted earnings per share calculation. The diluted earnings per share is the same as the basic earnings per share.

11. DIVIDEND

	For the year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Proposed final dividend	**25,026**	25,007
Dividend paid	**24,692**	40,697

The final dividend in respect of the year ended 31 December 2012 of HK$0.0386 (RMB0.0312) per share, amounting to a total dividend of HK$30,965,000 (equivalent to RMB24,692,000) was paid in June 2013.

A dividend in respect of the year ended 31 December 2013 of HK$0.0390 (equivalent to RMB0.0312) per share, amounting to a total dividend of HK$31,302,000 (equivalent to RMB25,026,000) is to be proposed at the annual general meeting on 13 June 2014. The consolidated financial statements do not reflect this dividend payable.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at 31 December
	RMB'000
Share of net assets, as at 1 January 2013	**–**
Addition	**2,973**
Share of loss of investments accounted for using the equity method	**(2,973)**
Share of net assets, as at 31 December 2013	**–**

On 12 April 2013, the Company acquired 30% of shares in Sichuan Minjiang Snow Salt Chemical Industry Co., Ltd. ("Minjiang Snow") at nil consideration. As a result, Minjiang Snow became an associate of the Company. Details of Minjiang Snow as at the date of acquisition are as follow:

Provisional fair value on acquisition date	**Effective equity interest held by the Group**	**The Group's attributable share of the provisional fair value of the associate**	**Consideration**	**Bargain purchase**
RMB'000		***RMB'000***		***RMB'000***
9,910	30%	2,973	–	2,973

13. INVENTORIES

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Raw materials	**18,600**	15,659
Work in process	**126,119**	133,796
Finished goods	**11,282**	16,693
	156,001	166,148
Less: provision for write-down of inventories	**–**	–
	156,001	166,148

14. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Trade receivables (a)	**229,253**	256,144
Due from third parties	**230,052**	256,144
Less: Provision for impairment of receivables	**(799)**	–
Prepayments		
Prepayment for purchase goods from related parties	**2,000**	–
Prepayment for purchase goods from third parties	**2,000**	2,117
Value added tax input credits	**6,000**	37,996
Other receivables		
Due from third parties	**651**	644
	239,904	296,901

(a) The outstanding balances are within credit terms of between 30 days and 90 days for both domestic customers and overseas customers.

As at the year end dates, the ageing analysis of the trade receivables is set out as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Within 3 months	**228,409**	253,653
Between 4 and 6 months	**45**	12
Between 7 and 12 months	**–**	2,479
Between 1 and 2 years	**1,598**	–
	230,052	256,144

As of 31 December 2013 and 2012, trade receivables of RMB45,000 (2012: RMB2,491,000) were past due but not impaired. These relate to a number of independent customers, for whom there is no significant financial difficulty and based on past experiences, the overdue can be recovered. The ageing analysis of these past due but not impaired receivables is as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Between 4 and 6 months	**45**	12
Between 7 and 12 months	**–**	2,479
	45	2,491

As of 31 December 2013, trade receivables of RMB799,000 (2012: nil) were impaired. The amount of the provision was RMB799,000 as of 31 December 2013 (2012: nil). The individually impaired receivables mainly relate to customer, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of this receivable is as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Between 1 and 2 years	**1,598**	–

The creation of provisions for impaired receivables has been included in "administrative expenses" in the consolidated statement of comprehensive income (Note 8).

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

15. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Financial liability at fair value through profit or loss		
Forward foreign exchange contracts	**–**	–

For the purpose of hedging foreign currency risk, the management entered into a forward foreign exchange contract (between RMB and JPY) for the loan denominated in Japanese Yen amounted to JPY950,000,000 at a pre-determined fixed rate with a bank in 2013.

The Group executed forward foreign exchange contract in September 2013 and the investment loss amounted to RMB16,708,000 (2012: Nil) was recorded in "finance losts".

16. TRADE AND OTHER PAYABLES

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Trade payables (a)		
Due to third parties	**51,047**	67,640
Bills payable (b)	**127,660**	231,783
Due to related parties	**1,500**	–
Due to third parties	**126,160**	231,783
Other payables (c)		
Due to third parties	**67,428**	70,414
	246,135	369,837

(a) Details of ageing analysis of trade payables are as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Within 3 months	**51,032**	67,640
Between 4 and 6 months	**15**	–
	51,047	67,640

(b) As at 31 December 2013 and 2012, the entire balances of bills payable were secured by restricted cash of RMB50,517,000 and RMB61,491,000 respectively

(c) Details of other payables are as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Advance from customers	**3**	164
Payable for IPO expenses	**–**	1,517
Auditor's remuneration	**1,275**	2,550
Payable for property, plant and equipment purchases	**10,409**	29,098
Freight charges	**8,846**	10,082
Water and electricity	**23,397**	10,880
Salary and welfare payable	**8,625**	10,499
Taxes	**11,651**	2,086
Others	**3,222**	3,538
	67,428	70,414

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Revenue for the year under review was approximately RMB1,510.0 million, representing a decrease of approximately RMB109.6 million or 6.8% from approximately RMB1,619.6 million for the corresponding period last year. The decrease was mainly attributable to the decrease in the sales of foaming agent, and partially offset by increase in the sales of bleaching and disinfectant chemicals during the year.

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

	For the year ended 31 December			
	2013		2012	
	Amount	***% of Revenue***	*Amount*	*% of Revenue*
Revenue *(RMB'000)*				
Bleaching and disinfectant chemicals	**669,280**	**44.3%**	596,835	36.9%
Foaming agent	**586,841**	**38.9%**	759,378	46.9%
Other specialty chemicals	**253,901**	**16.8%**	263,421	16.2%
Total	**1,510,022**	**100.0%**	1,619,634	100.0%

Bleaching and disinfectant chemicals

This segment mainly consists of sodium chlorate and hydrogen peroxide, which are two of our largest sales generating products. Sodium chlorate and hydrogen peroxide are the principal chemicals used in the ECF and TCF pulp bleaching process by our downstream customers, respectively.

During the year under review, the total revenue for the bleaching and disinfectant chemicals was RMB669.3 million, representing an increase of approximately 12.1% or RMB72.4 million from that in 2012. The increase was a net effect of: (1) the sales of sodium chlorate increased by approximately 10.1% to RMB422.5 million due to the production capacity expansion and the increase in sales volumes of sodium chlorate; and (2) the sales of hydrogen peroxide increased by approximately 26.3% to RMB232.4 million due to increase in sales volumes of hydrogen peroxide as a result of improvement of market condition.

Foaming agent

This segment mainly consists of basic and modified grades of foaming agent. Foaming agent is primarily used in the production of foamed plastics as an additive by the downstream customers of the Group, which is widely applied in the footwear industry, building materials industry, automobile upholstery and furniture and home decoration materials industry.

During the year under review, the total revenue for the foaming agent was RMB586.8 million, representing a decrease of approximately 22.7% or RMB172.5 million from that in 2012. The decrease was mainly attributed to the decrease in outsourced production and increase in self-produced sales volumes after the upgrade of our production facilities.

Other specialty chemicals

This segment mainly consists of potassium chlorate, sodium perchlorate, potassium perchlorate, caustic soda, biurea and others.

During the year under review, the total revenue for other specialty chemicals was RMB253.9 million, representing a decrease of approximately 3.6% or RMB9.5 million from that in 2012. The decrease was mainly attributed to the decrease in sales volume of caustic soda due to conversion into self-production of foaming agent during the year.

Cost of sales

Our cost of sales primarily consists of costs of raw materials used and changes in inventories, electricity and other utility fees, depreciation of property, plant and equipment, employee benefit expenses, transportation and related charges, repairs and maintenance, tax and levies on main operations, office and entertainment expenses, traveling expenses and other expenses. Raw materials used and changes in inventories, including foaming agent and sodium chlorate sourced from third parties, were the largest component of our cost of sales, representing 59.7% and 66.6% of our total cost of sales for the year ended 31 December 2013 and 2012, respectively.

During the year under review, our cost of sales decreased by approximately RMB111.5 million or 9.7% to RMB1,043.4 million from RMB1,155.0 million in the corresponding period last year, which was primarily due to the decrease in outsourced production volume of foaming agent. The percentage for cost of sales to revenue decreased from 71.3% for the year ended 31 December 2012 to 69.1% for the year ended 31 December 2013 reflecting decrease in cost of outsourcing production.

Gross profit and gross margin

Our gross profit increased by approximately RMB1.9 million or 5.7% to RMB466.6 million for the year under review from RMB464.7 million for the corresponding period last year. The overall gross margin increased from 28.7% in 2012 to 30.9% in 2013, which was primarily due to: (1) the increase in sales of self-produced foaming agent which had higher gross margin; and (2) the increase in average selling price of certain products as a result of improving market condition.

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

	For the year ended 31 December		
Gross margin (%)	**2013**	2012	Change
Bleaching and disinfectant chemicals	**34.7%**	33.1%	4.8%
Foaming agent	**24.7%**	21.1%	17.1%
Other specialty chemicals	**35.4%**	40.5%	(12.6%)
Overall	**30.9%**	28.7%	7.7%

Bleaching and disinfectant chemicals

The gross margin of bleaching and disinfectant chemicals increased from 33.1% for the year ended 31 December 2012 to 34.7% for the year ended 31 December 2013, which was primarily attributed to: (1) the increase in sales volume of hydrogen peroxide which has higher gross profit margin as a result of improving market condition; and (2) the decrease in cost of sales as a result of decreasing raw material price and cost saving after the upgrade of production facilities.

Foaming agent

The gross margin of foaming agent increased from 21.1% for the year ended 31 December 2012 to 24.7% for the year ended 31 December 2013, which was primarily attributed to the upgrade of our production facilities and the increase in the usage of self-produced raw materials, for example of caustic soda and biurea, had improved the gross margin of foaming agent.

Other specialty chemicals

The gross margin of other specialty chemicals decreased from 40.5% for the year ended 31 December 2012 to 35.4% for the year ended 31 December 2013, which was primarily attributed to the increase in the usage of caustic soda which has higher gross margin to produce foaming agent.

Selling and marketing expenses

Selling and marketing expenses primarily consist of transportation and related charges for our products, sales taxes such as urban maintenance and construction tax, educational surtax, travelling expenses and other selling and marketing expenses. The selling and marketing expenses of the Group increased by 9.4% to RMB41.9 million for the year ended 31 December 2013 from RMB38.3 million for the year ended 31 December 2012, which was primarily attributed to the expansion of sales volume of 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 decreased by 0.2% to RMB66.3 million for the year ended 31 December 2013 from RMB66.4 million for the year ended 31 December 2012, which was primarily attributed to which was primarily to effective cost control.

Other income

Other income primarily consists of profit from sales of raw materials and government subsidies. The other income of the Group increased by 65.2% to RMB3.4 million for the year ended 31 December 2013 from RMB2.0 million for the year ended 31 December 2012, which was primarily attributed to the increase in government subsidies as a result of energy saving.

Other losses — net

Other losses — net, mainly consists of the net loss from the disposal of property, plant and equipment. The other losses, net of the Group increased by 8.1% to RMB1.9 million for the year ended 31 December 2013 from RMB1.8 million for the year ended 31 December 2012, which was primarily attributable to increase in loss on disposals of property, plant and equipment.

Finance income

Finance income primarily represents interest income from our bank deposits. The finance income of the Group decreased by 31.9% to RMB3.5 million for the year ended 31 December 2013 from RMB5.2 million for the year ended 31 December 2012, which was primarily attributed to the decrease in interest earned on our bank deposits as a result of decrease in term deposits during the year.

Finance expenses

Finance expenses primarily consist of interest expenses on bank borrowings, discount interest for bill payables, other finance charges and foreign exchange losses, less interest capitalized in property, plant and equipment. The finance costs of the Group decreased by 1.3% to RMB28.0 million for the year ended 31 December 2013 from RMB28.4 million for the year ended 31 December 2012, which was primarily attributed to increased foreign exchange gains.

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 2.0% to RMB85.1 million for the year ended 31 December 2013 from RMB86.8 million for the year ended 31 December 2012. The effective tax rate decreased to 25.4% for the year ended 31 December 2013 from 25.7% for the year ended 31 December 2012 as a result of adjustments for income and expenses items which were not assessable or deductible for income tax purpose.

Profit for the year

As a result of the foregoing factors, the profit attributable to the equity holders of the Company increased by 0.2% to RMB250.3 million for the year ended 31 December 2013 from RMB249.7 million for the year ended 31 December 2012.

Profit attributable to non-controlling interests

There is no profit attributable to non-controlling interests of the Company for the year ended 31 December 2013 (2012: RMB0.5 million), which was primarily attributed to the acquisition of the non-controlling interest of Fuzhou Yihua Chemical Stock Co., Ltd. ("Fuzhou Yihua") by Fujian Rongping Chemical Co., Ltd. ("Fujian Rongping") during the last year. Both Fuzhou Yihua and Fujian Rongping are subsidiaries of the Group.

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 RMB784.2 million (2012: approximately RMB778.6 million), most of which were denominated in Renminbi. As at 31 December 2013, the interest bearing bank borrowings of the Group amounted to approximately RMB391.1 million (2012: approximately RMB418.1 million).

The Group's current ratio (calculated as current assets divided by current liabilities) was 2.17 (2012: 1.84). The Group was in a strong net cash position as at 31 December 2012 and 2013. The Group has sufficient and readily available finance resource for both general working capital purpose and foreseeable capital expenditure.

Working capital

Inventories were approximately RMB156.0 million in total as at 31 December 2013, as compared with approximately RMB166.1 million as at 31 December 2012. The decrease was primarily due to utilisation in work in process namely, working solution to be used to produce hydrogen peroxide. Average inventory turnover days was 56 days for the year 2013 (2012: 42 days).

As at 31 December 2013, trade receivables amounted to approximately RMB229.3 million in total, as compared with approximately RMB256.1 million as at 31 December 2012. The decrease was in line with decrease in our sales during the year. The average trade receivables turnover days was 58 days for the year 2013 (2012: 66 days).

As at 31 December 2013, trade and bills payables amounted to approximately RMB178.7 million in total, as compared with approximately RMB299.4 million as at 31 December 2012. The decrease was mainly due to the decrease in usage of 90 days letter of credit and bills guaranteed by banks in our payment. The average trade and bills payables turnover days was 83 days for the year 2013 (2012: 84 days).

Use of net proceeds from the initial public offering

The net proceeds estimated to have been raised by the Company through the issue of 200,000,000 new shares (excluding those new shares to be issued upon the exercise of over — allotment option) at an offer price of HK$2.7 per share upon the listing on the Stock Exchange on 9 December 2011, after deducting brokerage and other costs and expenses payable by the Company, amounted to approximately HK$443.4 million (equivalent to approximately RMB361.2 million). The use of the net proceeds from the initial public offering by the Group was consistently the same as those set out in the section headed "Use of Proceeds" in the prospectus of the Company dated 29 November 2011. For the year ended 31 December 2013, the net proceeds were applied in the following manner:

	Net proceeds from initial public offering		
Use of proceeds	**Available**	**Applied**	**Not yet applied**
		(HK$ million)	
To be used for the upgrade and expansion of existing production facilities	288.2	288.2	–
To be used in merger and acquisition	110.9	–	110.9
To be used for general working capital	44.3	44.3	–
Total	443.4	332.5	110.9

To the extent that the net proceeds were not yet applied as at 31 December 2013, the Company had deposited the same into short term bank deposits or term deposits at licensed banks in Hong Kong or the PRC.

Capital commitments

As at 31 December 2013, the capital commitments of the Group was NIL.

Contingent liabilities

As at 31 December 2013, 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.

Outlook

The year 2014 will be the first year for the PRC to thoroughly implement the spirit of the third plenary session of the 18th CPC Central Committee and to extensively deepen the reform. It is also crucial for the PRC to accomplish the "12th Five-year" Plan. Under the guidance of the national policies and more enforcement efforts to protect environment being increasingly intensified, the Group will propel the explosively growing demand for our eco-friendly bleaching and disinfectant products by fully utilizing the opportunities from the urban and industrial wastewater treatment and providing financial support to our major products such as sodium chlorate and hydrogen peroxide, so as to cement our leading position in the industry and to boost the rapid development of our water treatment chemical business.

Market recovery with the rising price of major products

Over the past two years, the global economy has remained sluggish and the growth speed of the domestic economy has slowed down. Under this background, the Group had strengthened internal management and moderately controlled each of expenses and expenditures, by adopting a series of measures such as technical transformation and energy conservation, whereby maintaining a higher profit margin over that achieved by other peers in the industry. In 2014, with the demand of the downstream industries resumed and driven by the strong growth of the needs from the wastewater treatment industry, the price of our major products is expected to rise step by step, which will in turn help raise the profit margin of the Group.

Wastewater treatment to shore up the market demand as a new engine

By the first half of 2013, the products of the Group had been mainly applied in the traditional bleaching and disinfection fields such textile, paper production, pulp and dyeing. Starting from the second half of 2013, our eco-friendly products such as sodium chlorate and hydrogen peroxide have been used in the urban and industrial wastewater treatment in great numbers, reflecting a fast growth momentum in user demand.

According to the up-to-date market survey, the production capacity of sodium chlorate is approximately 0.6 million tons, and the demand and supply are basically balanced. It is expected that by 2015, with the demand of the urban and industrial wastewater treatment for the eco-friendly bleaching and disinfectant products keeping rising, the market demand would be likely to increase dramatically.

Benefiting from the industrial development opportunities presented by the long-term national policy on environmental protection

According to the policy documents concerning the wastewater treatment industry successively introduced by the PRC Government, such as the Opinions on Accelerating the Development of Energy Conservation and Environmental Protection Industry and the Regulation on the Urban Water Drainage and Wastewater Treatment, by 2015, all cities and towns are required to have a daily-centralized sewage treatment capacity of over 200 million cubic meters.

In 2014, the government will introduce the "wastewater prevention and control campaign" scheme and the total investment worth RMB2 trillion is expected. As the government will increase investment in the field of wastewater treatment and recycling and strengthen law enforcement, enterprises engaged in wastewater treatment are now facing a broader market. The Group will benefit from the industrial development opportunities as presented by the long-term national policy on environmental protection and accelerate to develop into the leading water treatment and eco-friendly chemical supplier in the PRC.

Promotion of technical transformation and release of new production capacity

In 2013, the Group invested funds of RMB214 million, mainly in a series of technical transformation and upgrade for the production equipment producing main products, power transfer routes and transformer substation. After technical transformation, our new annual production capacity of hydrogen peroxide and foaming agent was 50,000 tons and 15,000 tons, respectively. It is expected that the aforesaid annual production capacity will be leashed and become the new growth point of our result performance.

Solidifying our leading position through acquisition and merger

In April 2013, the Company entered into an agreement with Chengdu Huaxi Hope Group Co., Ltd in relation to acquire 30% of the equity of Sichuan Minjiang Snow Salt Chemical Industry Co., Ltd. Sichuan Minjiang Snow currently possesses a combined production capacity of 180,000 tons of chlorate per annum, its production capacity of sodium chlorate is approximately two times of our production capacity of sodium chlorate. It is now the largest sodium chlorate production base in the PRC with its production capacity ranked number one across Asia.

In 2014, the Group will solidify its leading position through acquisition and merger, and leverage on its edges in advanced technologies and brands to substantially lower the costs of merger. Currently, the Group has a lower level of debt than that of other companies in the industry and sufficient cash flow, which have provided financial guarantee for our rapid expansion in the future.

Accelerating the research and development of the products related to water treatment

In February 2013, the Company and the Haixi Research Institute (海西研究院) of Chinese Academy of Sciences jointly established a "Research Centre of Green Chemical Technology"(綠色化工技術研發中心). The Company will deepen cooperation with Chinese Academy of Sciences, constantly cultivate and reserving new technologies, accelerate the research and development of the products related to water treatment, and develop high value-added product portfolio, so as to keep raising the gross profit margin of the Group.

Proactively expanding our international market

The Group is largest sodium chlorate supplier in Japan and also the largest sodium chlorate exporter in China, whose brands enjoy a good reputation both at home and abroad. In December 2013, Fujian Rongping Chemical Co., Ltd., a wholly-owned subsidiary of the Company, and Deutsche Investitions und Entwicklungsgesellschaft GmbH (DEG) entered into a facility agreement worth US$22 million with a repayment term of 7 years. The interest rate is determined with reference to the six-month LIBOR plus 4.0%.

DEG is a development finance institution which is specialized in financing private sectors in developing and transition countries in order to contribute to sustainable progress, and has now become one of the largest European development finance institutions. Through the cooperation with DEG, the Group will proactively expand its international market.

Looking ahead, notwithstanding the macroeconomic conditions will tend to be more complex in 2014, facing the challenges from the decelerated growth and structural adjustment, the Group will propel the explosively growing demand for our eco-friendly bleaching and disinfectant products by fully utilizing the opportunities from the urban and industrial wastewater treatment, follow the trend of the times, and share those results achieved in performing the PRC environmental protection cause.

OTHER INFORMATION

Corporate Governance

The Company has adopted the code provisions in the Corporate Governance Code ("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. The Board considers that since the listing of the shares of the Company on the Main Board of the Stock Exchange on 9 December 2011 and up to the date of this annual results announcement, the Company has complied with all the code provisions of 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 and senior management confirmed that they have complied with the Model Code since the Listing Date and up to the date of this results announcement.

Audit Committee

The Audit Committee was established on 10 June 2011 with written terms of reference as suggested under the CG Code. The Audit Committee has three members, namely Dr. Chen Xiao, Mr. Kou Huizhong and Mr. Li Junfa, all of whom are independent non-executive Directors. The chairman of the Audit Committee is Dr. Chen Xiao. The responsibilities of the Audit Committee include, among others, providing independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, nominating and monitoring external auditors, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee has reviewed the annual results of the Group, the accounting principles and policies adopted by the Group, and the Group's internal control functions.

Remuneration Committee

The Remuneration Committee was established on 10 June 2011 with written terms of reference as suggested under the CG Code. The Remuneration Committee has three members, namely Mr. Kou Huizhong, Dr. Chen Xiao and Ms. Miao Fei, of whom Mr. Kou Huizhong and Dr. Chen Xiao are independent non-executive Directors and Ms. Miao Fei is an executive Director. The chairman of the Remuneration Committee is Mr. Kou Huizhong. The primary responsibilities of the Remuneration Committee include, among others, (i) making recommendations to the Directors regarding our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) reviewing and approving the remuneration package of the Directors and senior management in accordance with the corporate strategies and objectives set by the Directors; and (iii) considering and approving the grant of share options to eligible participants according to the Share Option Scheme.

Nomination Committee

The Nomination Committee was established on 10 June 2011 with written terms of reference. The Nomination Committee has three members, namely Mr. Li Junfa, Mr. Kou Huizhong and Mr. Lam Wai Wah, of whom Mr. Li Junfa and Mr. Kou Huizhong are independent non-executive Directors and Mr. Lam Wai Wah is an executive Director. The chairman of the Nomination Committee is Mr. Li Junfa. The primary responsibilities of the Nomination Committee include, among others, reviewing the structure, size and composition of the Board and providing recommendations to the Board for the appointment of members of the Board.

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 year ended 31 December 2013.

Annual General Meeting

The forthcoming 2014 annual general meeting ("AGM") of the Company will be held in Hong Kong on Friday, 13 June 2014. Notice of the AGM will be published and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

Final Dividend

The Board recommended the payment of a final dividend of HK3.90 cents (RMB3.12 cents) per Share for the year ended 31 December 2013 to shareholders whose names appear on the register of members of the Company on 20 June 2014. The proposed final dividend is subject to the approval by the shareholders at the forthcoming annual general meeting to be held on Friday, 13 June 2014. The final dividend is expected to be paid on or about 27 June 2014.

Closure of Register of Members

In order to determine the entitlements of the shareholders to attend and vote at the annual general meeting, the register of members of the Company will be closed from Thursday, 12 June 2014 and Friday, 13 June 2014, both days inclusive, during which no transfer of Shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all Share transfers, being accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (which address will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) for registration no later than 4:30 p.m. on Wednesday, 11 June 2014.

In order to determine the entitlements of shareholders of receiving the proposed final dividend, the register of members of the Company will be closed on Thursday, 19 June 2014 and Friday, 20 June 2014, both days inclusive, during which no transfer of Shares will be registered. In order to be eligible of receiving the proposed final dividend, all Share transfers, being accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at the above address for registration no later than 4:30 p.m. on Wednesday, 18 June 2014.

Publication of Annual Financial Results and Annual Report

The annual results announcement and the annual report for the year ended 31 December 2013 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

Fujian, The PRC, 21 March 2014

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. Chen Xiao, Mr. Kou Huizhong and Mr. Li Junfa.