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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)

DISCLOSEABLE TRANSACTION

ACQUISITION OF 45% EQUITY INTEREST IN JIANGXI ZHENGGE INVESTMENT CO., LTD. BY WAY OF CAPITAL INCREMENT

The board of Directors of the Company is pleased to announce that on 5 September 2014, Fuzhou Yihua Chemical Stock Co., Ltd. (“Fuzhou Yihua”), a wholly-owned subsidiary of the Company, entered into the Capital Increment Agreement with Jiangxi Zhengge Investment Co., Ltd. (“Jiangxi Zhengge”) in relation to the acquisition of 45% equity interest in Jiangxi Zhengge by way of capital increment (the “Transaction”) at a consideration of RMB80 million.

As each of the relevant percentage ratios set out in the Rule 14.07 of the Listing Rule is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As completion of the Transaction is subject to the fulfillment of a number of conditions, the Transaction may or may not complete. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

INTRODUCTION

The board of Directors of the Company is pleased to announce that on 5 September 2014, Fuzhou Yihua, a wholly-owned subsidiary of the Company, entered into the Capital Increment Agreement with Jiangxi Zhengge. Pursuant to such agreement, Fuzhou Yihua agreed to, subject to the satisfaction of certain conditions, inject into Jiangxi Zhengge an amount of RMB80 million. Upon completion of the capital increment, Fuzhou Yihua will acquire 45% equity interest in Jiangxi Zhengge and the registered capital of Jiangxi Zhengge will be increased to RMB50 million.

DETAILS OF THE CAPITAL INCREMENT AGREEMENT

Parties

- (1) Fuzhou Yihua Chemical Stock Co., Ltd. (“Fuzhou Yihua”)
- (2) Jiangxi Zhengge Investment Co., Ltd. (“Jiangxi Zhengge”)

Interest to be acquired

45% equity interest in Jiangxi Zhengge

Consideration

The total consideration for the Transaction is RMB80 million

Basis of the consideration

The total consideration for the Transaction has taken into account:

1. the audited net asset value of Jiangxi Zhengge as at 31 July 2014 amounted to RMB67.73 million.
2. Jiangxi Zhengge has delisted a total of 51% equity interest in China Salt Jiangxi Lantai Chemical Co., Ltd. (“Jiangxi Lantai”) from the China Beijing Equity Exchange (www.cbex.com.cn) on 3 September and 5 September 2014. The audited net asset value of Jiangxi Lantai as at 31 May 2014 amounted to RMB125.09 million.

INFORMATION ON JIANGXI ZHENGGE

Jiangxi Zhengge and its subsidiaries, which have geographical competitive strength in several markets including Jiangxi, Guangdong and Hunan etc., are principally engaged in the sale of eco-friendly bleaching and disinfectant chemicals such as sodium chlorate and hydrogen peroxide. Jiangxi Zhengge and its subsidiaries entered into a Distribution Agreement with Jiangxi Lantai in May 2013 for the distribution of the eco-friendly bleaching and disinfectant chemicals, such as sodium chlorate and hydrogen peroxide, produced by Jiangxi Lantai.

As at 31 July 2014, the audited total asset value, net asset value, operating revenue and net profit after tax of Jiangxi Zhengge amounted to RMB128.29 million, RMB67.73 million, RMB196.84 million and RMB13.57 million respectively.

INFORMATION ON JIANGXI LANTAI

Jiangxi Lantai was incorporated in the Salt Chemical Industrial Park, Xingan County, Jiangxi Province in May 2008 with capital jointly contributed by Inner Mongolia Lantai Industry Holdings Limited (“Lantai Industry”) and Jiangxi Salt Chemical Co., Ltd. (“Jiangxi Salt Chemical”) which held 51% and 49% of its equity interest respectively. The major products of Jiangxi Lantai include sodium chlorate and hydrogen peroxide.

On 2 July 2014, Lantai Industry offered its 2% equity interest in Jiangxi Lantai together with the 49% equity interest held by Jiangxi Salt Chemical for joint public listing on China Beijing Equity Exchange (www.cbex.com.cn) to attract strategic investors with the intention of diversifying shareholdings, facilitating optimised allocation of state-owned capital and further transforming business model and shifting development approach to revitalize inefficient assets and improve the effectiveness and efficiency of operations.

As at 31 May 2014, the audited total asset value, total net asset value, operating revenue and operating profit of Jiangxi Lantai amounted to RMB500.07 million, RMB125.09 million, RMB99.13 million and RMB0.20 million respectively.

CONDITIONS AND COMPLETION

Completion of the Capital Increment Agreement by the Company is conditional upon, amongst other things:

- (a) Delisting of 51% equity interest in Jiangxi Lantai from China Beijing Equity Exchange (www.cbex.com.cn) by Jiangxi Zhengge having been approved at its general meeting and the filing for registration by China National Salt Industry Corporation, its effective controller, having been approved;
- (b) there being no applicable law or governmental order preventing or delaying the completion of the Capital Increment Agreement and the transactions contemplated thereunder;
- (c) there being no litigations or proceedings against Jiangxi Zhengge which have the effect of delaying or restricting the Transaction;
- (d) Jiangxi Zhengge having obtained all necessary governmental permits and licences for its day-to-day operation of business without being subject to any condition which may have a material adverse effect on the completion of the Capital Increment Agreement;
- (e) the representations and warranties of Jiangxi Zhengge being true and accurate at the date of completion and Jiangxi Zhengge having performed all of its obligations under the Capital Increment Agreement on or prior to the date of completion;
- (f) all consents and approvals from the board of directors and shareholders required to be obtained by Jiangxi Zhengge having been obtained; and
- (g) the parties having obtained all necessary governmental approvals in connection with the Capital Increment Agreement.

The board of Directors currently expects that completion of the Transaction will take place shortly, failing which either party shall have the right to terminate the Capital Increment Agreement, unless otherwise agreed.

INFORMATION ON THE PARTIES

The Company is a leading supplier of eco-friendly water treatment chemicals in China, engaging in the production and sales of water treatment-related eco-friendly products.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Jiangxi Zhengge and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons.

REASONS FOR THE TRANSACTION

It is the Company's growth strategy to consolidate its leading position in the eco-friendly bleaching and disinfectant chemical industry and to strengthen its market shares and geographical distributions in China for eco-friendly bleaching and disinfectant chemicals such as sodium chlorate and hydrogen peroxide through investment in or acquisition of target enterprises which have significant scale and technological advantages, with the aim of improving its overall profitability.

The eco-friendly bleaching and disinfectant chemicals, such as sodium chlorate and hydrogen peroxides, operated by Jiangxi Zhengge and its subsidiaries have geographical competitive strength in several markets including Jiangxi, Guangdong and Hunan etc..

Jiangxi Lantai is located in Xingan County, Jiangxi Province where abundant resources of rock salt can be found. Jiangxi Lantai has advanced production lines with an annual capacity of 50,000 tonnes of sodium chlorate and 150,000 tonnes of hydrogen peroxide. Such production lines utilise sophisticated homegrown and imported production skills and technologies featuring advanced technology, high degree of automation, low energy consumption and stable production process. Its products not only supply the domestic market needs, but also export to countries and regions including Japan, Korea, Thailand and Taiwan.

If the abovementioned Transaction is successfully completed, the Company will achieve strategic cooperation with two leading companies in the industry of eco-friendly water treatment chemical (i.e. Lantai Industry and Jiangxi Zhengge) and therefore consummating a major step in industry consolidation. This will enhance the Company's international profile and improve its competitiveness and profitability.

The board of Directors considers the Transaction an important step forward in achieving the Company's strategy of industry consolidation and expansion. Upon the completion of the Transaction, the Company, Lantai Industry and Jiangxi Zhengge will be benefited from the synergy that allows them to continue enhancing their influence and competitiveness in the global markets.

The board of Directors considers the terms of the Transaction, which are on normal commercial terms, to be fair and reasonable and the Transaction is in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

The Company and Jiangxi Zhengge have not entered into any transaction which shall be aggregated with the Transaction pursuant to the Rule 14.22 of the Listing Rules.

As each of the relevant percentage ratios set out in the Rule 14.07 of the Listing Rule is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings:

“Company”	China First Chemical Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“PRC”	the People’s Republic of China

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

Fujian, PRC, 5 September 2014

As at the date of this announcement, the Board comprises the chairman and 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, Dr. Kou Huizhong and Mr. Li Junfa.