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 2015

Financial Highlights	**Year ended 31 December**		
	2015	2014	Variance
	RMB'000	*RMB'000*	%
Revenue	**2,135,545**	1,237,757	72.5%
Gross profit	**395,014**	370,528	6.6%
Profit attributable to equity holders of the Company	**129,043**	170,754	(24.4%)
Earnings per share			
— Basic *(RMB)*	**16.09 cents**	21.28 cents	(24.4%)
— Diluted *(RMB)*	**16.09 cents**	21.28 cents	(24.4%)
EBITDA	**429,479**	373,620	15.0%
Proposed final dividend	**12,904**	17,075	(24.4%)
	As at 31 December		
	2015	2014	Variance
	RMB'000	*RMB'000*	%
Total equity	**2,118,936**	2,006,858	5.6%
Net asset per share *(RMB)*	**2.64**	2.50	5.6%

The Board of Directors (the "Board") of China First Chemical Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**2,135,545**	1,237,757
Cost of sales	*6*	**(1,740,531)**	(867,229)
Gross profit		**395,014**	370,528
Selling and marketing expenses	*6*	**(65,245)**	(38,682)
Administrative expenses	*6*	**(85,973)**	(65,106)
Other income		**3,435**	2,183
Other losses — net		**(2,255)**	(1,153)
Operating profit		**244,976**	267,770
Finance income		**14,585**	3,934
Finance expenses	*5*	**(97,749)**	(43,106)
Finance expenses — net		**(83,164)**	(39,172)
Gain on disposal of previous investments accounted for using the equity method	*12*	**12,857**	–
Share of (losses)/profits of investments accounted for using the equity method		**(1,813)**	2,704
Profit before income tax		**172,856**	231,302
Income tax expense	*7*	**(43,813)**	(60,548)
Profit for the year		**129,043**	170,754
Other comprehensive income		**–**	–
Total comprehensive income for the year		**129,043**	170,754
Attributable to equity holders of the Company		**129,043**	170,754
Earnings per share attributable to the equity holders of the Company *(RMB Yuan)*			
— Basic	*8*	**0.16**	0.21
— Diluted	*8*	**0.16**	0.21

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Land use rights		**82,426**	72,039
Property, plant and equipment		**1,850,067**	1,211,946
Intangible assets		**311,714**	3,711
Investments accounted for using the equity method		**110,891**	112,704
Deferred income tax assets		**3,069**	914
Restricted cash		**106,650**	–
Other non-current assets		**27,400**	208,230
		2,492,217	1,609,544
Current assets			
Inventories		**236,818**	166,479
Trade and other receivables	*10*	**487,500**	263,296
Financial assets at fair value through profit or loss		**43,771**	–
Cash and cash equivalents		**470,931**	725,234
Restricted cash		**191,311**	303,618
		1,430,331	1,458,627
Total assets		**3,922,548**	3,068,171
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		**65,346**	65,346
Other reserves		**771,497**	773,905
Retained earnings		**1,282,093**	1,167,607
Total equity		**2,118,936**	2,006,858
LIABILITIES			
Non-current liabilities			
Borrowings		**383,361**	347,253
Deferred income		**11,002**	12,504
Deferred income tax liabilities		**28,456**	743
		422,819	360,500
Current liabilities			
Trade and other payables	*11*	**525,757**	187,368
Current income tax liabilities		**20,848**	5,871
Borrowings		**834,188**	507,574
		1,380,793	700,813
Total liabilities		**1,803,612**	1,061,313
Total equity and liabilities		**3,922,548**	3,068,171

NOTES

1. GENERAL INFORMATION

China First Chemical Holdings Limited (the "Company") and its subsidiaries (together the "Group") manufacture and sell bleaching and disinfectant chemical products, foaming agent products and other specialty chemical products in the People's Republic of China (the "PRC").

The Company was incorporated in the Cayman Islands on 24 November 2010, as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The parent company of the Company is China First Chemical Ltd., a company which was incorporated in the Cayman Islands. The ultimate parent company of the Company is Yihua Crown Limited.

The Company has been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 9 December 2011.

The financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) Amended standard and annual improvements adopted by the Group

The following amendment to standard or annual improvements have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"
Annual improvements 2012
Annual improvements 2013

The adoption of the abovementioned amendment to standard and annual improvements did not result in any significant changes in the Group's significant accounting policies and presentation of the consolidated financial statements.

(b) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosure of certain information in the consolidated financial statements.

(c) New and amended standards and annual improvements not yet adopted by the Group

A number of new standards, amendments to existing standards and annual improvements which may be applicable to the Group and are effective for annual periods beginning after 1 January 2015 are summarised as below:

	Effective for accounting periods beginning on or after
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	1 January 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation"	1 January 2016
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Not yet determined
Amendments to IAS 27 "Equity Method in Separate Financial Statements"	1 January 2016
Amendments to IFRSs 10, 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	1 January 2016
Amendments to IAS 1 "Disclosure Initiative"	1 January 2016
Annual improvements 2014	1 January 2016
Amendments to IAS 12 "Income Taxes"	1 January 2017
Amendments to IAS 7 "Statement of Cash Flows"	1 January 2017
IFRS 15 "Revenue from Contracts with Customers"	1 January 2018
IFRS 9 "Financial Instruments"	1 January 2018
IFRS 16 "Leases"	1 January 2019

The Group has not early adopted the abovementioned new standards, amendments to standards and annual improvements in the consolidated financial statements and will apply these new standards, amendments to standards and annual improvements in accordance with their respective effective dates. The Group has already commenced an assessment of the related impact to the Group but is not yet in a position to state whether any substantial changes to Group's significant accounting policies or presentation of the Group's consolidated financial statements will be resulted.

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 are located are presented to the chief operating decision maker (the "CODM") (representing the Board of Directors of the Company) who reviews the internal reports in order to assess performance and allocate resources. The CODM considers the Group's business primarily from product perspective and reviews the key financial information (such as revenue and gross profit) of the Bleaching and disinfectant chemical products, Forming agent products and Other specialty chemical products separately on a regular basis. Accordingly, three reportable segments (namely the Bleaching and disinfectant chemicals segment, Forming agent products segment and Other specialty chemicals segment) have been identified for the purpose of segment reporting.

Majority of the Group's products are sold to customers in the PRC. The Group has a large number of customers, which are widely dispersed within the PRC and overseas, no single customer accounted for more than 10% of the Group's total revenue for the years ended 31 December 2015 and 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 statements.

The CODM assesses the performance of the operating segments based on a measure of gross profit. There is no information in relation to segment assets and segment liabilities provided to the CODM.

The segment information provided to the CODM for the reportable segments for the years ended 31 December 2015 and 2014 is as follows:

	Year ended 31 December 2015			
	Bleaching and disinfectant chemicals	**Forming agent products**	**Other specialty chemicals**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue	**1,271,415**	**600,711**	**263,419**	**2,135,545**
Inter-segment revenue	**–**	**–**	**–**	**–**
Revenue from external customers	**1,271,415**	**600,711**	**263,419**	**2,135,545**
Gross profit	**223,492**	**89,320**	**82,202**	**395,014**
Unallocated				
Depreciation and amortisation				**158,874**
Finance income				**14,585**
Finance expenses				**(97,749)**
Income tax expense				**(43,813)**
Total assets				**3,922,548**
Total liabilities				**1,803,612**

	Year ended 31 December 2014			
	Bleaching and disinfectant chemicals	Forming agent products	Other specialty chemicals	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	591,255	424,339	222,163	1,237,757
Inter-segment revenue	–	–	–	–
Revenue from external customers	591,255	424,339	222,163	1,237,757
Gross profit	195,165	92,036	83,327	370,528
Unallocated				
Depreciation and amortisation				99,212
Finance income				3,934
Finance expense				(43,106)
Income tax expense				(60,548)
Total assets				3,068,171
Total liabilities				1,061,313

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

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Revenue		
Mainland China	**1,960,876**	1,058,957
Overseas	**174,669**	178,800
	2,135,545	1,237,757

5. FINANCE EXPENSES

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Interest expenses:		
— Bank borrowings	**58,542**	40,551
— Discount interest for bill payables	**6,272**	2,400
	64,814	42,951
Less: Interest capitalised in property, plant and equipment	**(4,437)**	(602)
	60,377	42,349
Other finance charges	**4,011**	3,155
Net foreign exchange losses/(gains) on financing activities	**33,361**	(2,398)
	97,749	43,106

6. EXPENSES BY NATURE

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Changes in inventories of finished goods and work in progress	**(66,172)**	(14,494)
Raw materials used	**1,161,125**	463,262
Depreciation of property, plant and equipment	**144,394**	97,054
Electricity and other utility fees	**428,246**	272,791
Employee benefit expenses	**88,471**	67,211
Transportation and related charges	**62,491**	33,397
Tax and surcharges	**11,824**	10,771
Amortisation of land use rights	**2,026**	1,764
Amortisation of intangible assets	**12,454**	394
Office and entertainment expenses	**8,271**	10,058
Operating lease expenses	**1,476**	1,437
Property insurance fee	**2,957**	2,089
Travelling expenses	**1,818**	1,281
Repairs and maintenance	**9,275**	9,092
Auditors' remuneration	**4,000**	3,300
— Audit services	**4,000**	3,300
— Non-audit services	**–**	–
Research and development costs	**750**	1,358
Impairment loss for trade and other receivables	**–**	799
Other expenses	**18,343**	9,453
Total cost of sales, selling and marketing expenses and administrative expenses	**1,891,749**	971,017

7. INCOME TAX EXPENSES

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Current income tax		
— PRC enterprise income tax (a)	**49,093**	60,013
— Hong Kong profits tax (b)	**572**	24
Deferred income tax (credit)/charge	**(5,852)**	511
	43,813	60,548

(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 been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2015.

8. 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.

	Year ended 31 December	
	2015	2014
Profit attributable to equity holders of the Company (RMB'000)	**129,043**	170,754
Weighted average number of ordinary shares in issue (thousand)	**802,191**	802,191
Basic earnings per share (RMB Yuan)	**0.16**	0.21

(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. Diluted earnings per share is same as basic earnings per share as there were no potential dilutive ordinary shares outstanding as of 31 December 2015 and 2014.

9. DIVIDEND

The dividends paid in 2015 of approximately HKD21,498,000 (HKD0.0268 per share), equivalent to approximately RMB16,965,000 related to the final dividend for the year ended 31 December 2014 (2014: HKD31,302,000 (HKD0.0390 per share), equivalent to approximately RMB24,856,000 related to the final dividend for the year ended 31 December 2013).

A dividend in respect of the year ended 31 December 2015 of HKD0.0192 per share, amounting to a total dividend of HKD15,402,000 (equivalent to approximately RMB12,904,000, is to be proposed at the annual general meeting on 13 June 2016. The consolidated financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Payment of dividend declared for the prior year of HKD0.0268 (2014: HKD0.0390) per ordinary share	**16,965**	24,856
Proposed final dividend for the year of HKD0.0192 (2014: HKD0.0268) per ordinary share	**12,904**	17,075

10. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Trade receivables (a)		
Due from third parties	**418,108**	162,903
Less: Provision for impairment of receivables (b)	**–**	(1,598)
	418,108	161,305
Bill receivables from third parties	**438**	–
Prepayments		
Prepayment for purchase goods from related parties	**–**	25,343
Prepayment for purchase goods from third parties	**7,379**	1,633
	7,379	26,976
Value-added tax input credits	**8,755**	11,700
Other receivables		
Due from third parties	**14,127**	2,222
Due from related parties	**38,693**	61,093
	487,500	263,296

(a) The Group has a large number of customers, which are widely dispersed within the PRC and Southeast Asia. The outstanding balances are within credit terms of between 30 days and 90 days for both domestic and overseas customers. There is no concentration of credit risk with respect to trade receivables.

As at 31 December 2015 and 2014, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**414,619**	161,305
Between 4 and 6 months	**307**	–
Between 7 and 12 months	**1,012**	–
Between 1 and 2 years	**1,635**	–
Above 2 years	**535**	1,598
	418,108	162,903

(b) Movements on the Group's allowance for impairment of trade receivables are as follows:

	2015	2014
	RMB'000	*RMB'000*
At 1 January	**1,598**	799
Provision for receivables impairment	**–**	799
Receivables written off during the year as uncollectable	**(1,598)**	–
At 31 December	**–**	1,598

(c) The carrying amounts of trade and other receivables approximate their fair value.

11. TRADE AND OTHER PAYABLES

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Trade payables (a)		
Due to third parties	**153,267**	22,820
Bills payable (b)		
Due to third parties	**191,910**	108,780
Other payables and accruals		
Due to third parties	**180,580**	55,768
	525,757	187,368

(a) Details of ageing analysis of trade payables based on invoice date were as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**148,260**	22,805
Between 4 and 6 months	**2,662**	–
Between 7 and 12 months	**1,459**	15
Between 1 and 2 years	**806**	–
Above 2 years	**80**	–
	153,267	22,820

(b) As at 31 December 2015, the entire balances of bills payable were secured by restricted cash of approximately RMB65,610,000 (2014: RMB132,218,000).

12. BUSINESS COMBINATION

On 12 April 2013, the Group acquired 30% of the equity interests of Sichuan Minjiang Snow Chemical Co., Ltd. ("Minjiang Snow"), a Chinese sodium chlorate production base, at nil consideration. On 1 February 2015, the Group acquired a further 70% of the equity interest and obtained the control of Minjiang Snow.

As a result of the acquisition, the Group is expected to increase its presence in bleaching and disinfectant chemicals market. The goodwill of RMB188,673,000 arising from this acquisition in February 2015 is attributable to acquired capacity, the advantage of cost on hydropower and economies of scale expected from combining the operations of the Group and Minjiang Snow. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration transferred for the acquisition of Minjiang Snow, and the fair values of the assets acquired/recognised and liabilities assumed at the acquisition date.

	RMB'000
Consideration	
At 1 February 2015	
— Payment for acquisiton of a subsidiary in January 2015	125,000
— Prepayment for acquisition of a subsidiary in December 2014	125,000
Total payments made	250,000
Fair value of equity interest in Minjiang Snow held before the business combination	12,857
Total consideration transferred	262,857
Recognised amounts of identifiable assets and liabilities acquired	
Cash and cash equivalents	1,717
Property, plant and equipment	286,443
Intangibles:	
— Land use right	8,170
— Licenses	131,400
Other non-current assets	7,438
Inventories	86,519
Trade and other receivables	27,963
Payables	(286,409)
Employee benefit liabilities	(7,647)
Borrowings	(150,000)
Deferred income tax liabilities	(31,410)
Total identifiable net assets	74,184
Goodwill	188,673
Total consideration	262,857

The fair value of trade and other receivables amounted to approximately RMB27,963,000 which includes trade receivables with a fair value of approximately RMB12,797,000. The gross contractual amount for the trade receivables amounted to approximately RMB14,845,000, of which approximately RMB2,048,000 is expected to be uncollectible.

Resulting from the step-up acquisition of equity interest in Minjiang Snow, the Group has recognised a gain of approximately RMB12,857,000 through profit or loss as a result of measuring at fair value the Group's 30% equity interest in Minjiang Snow held before the business combination.

The revenue included in the consolidated statement of comprehensive income since 1 February 2015 contributed by Minjiang Snow was approximately RMB311,568,000. Minjiang Snow also contributed net loss of approximately RMB2,240,000 over the same period.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2015 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2015. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Revenue for the year under review was approximately RMB2,135.5 million, representing an increase of approximately RMB897.7 million or 72.5% as compared to the revenue of approximately RMB1,237.8 million for the corresponding period in last year. The increase was mainly attributable to the increase in the sales of bleaching and disinfectant chemicals and foaming agent products during the year.

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

	For the year ended 31 December			
	2015		2014	
	Revenue amount	***% of Revenue***	*Revenue amount*	*% of Revenue*
Revenue ***(RMB'000)***				
Bleaching and disinfectant chemicals	**1,271,415**	**59.5%**	591,255	47.8%
Other chemical products	**864,130**	**40.5%**	646,502	52.2%
Total	**2,135,545**	**100.0%**	1,237,757	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 from the sales of bleaching and disinfectant chemicals was approximately RMB1,271.4 million, representing an increase of approximately 115.0% or RMB680.1 million from that in 2014. The increase in revenue was mainly attributable to expansion of sales after acquisition of Minjiang Snow during the year.

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 year under review, the total revenue from the sales of other chemical products was approximately RMB864.1 million, representing an increase of approximately 33.7% or RMB217.6 million from that in 2014. The increase was mainly attributed to expansion of sales of other chemical products 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 sourced from third parties) form the largest component of our cost of sales, representing approximately 62.9% and 51.7% of our total cost of sales for the years ended 31 December 2015 and 2014, respectively.

During the year under review, our cost of sales increased by approximately RMB873.3 million or 100.7% to RMB1,740.5 million from approximately RMB867.2 million for the corresponding period in last year, which was primarily due to the increase in sales volume of sodium chlorate. The percentage for cost of sales to revenue was 81.5% and 70.1% for the year ended 31 December 2015 and 2014, as a result of increased sales of sodium chlorate, the electricity and other utility fees of which was relatively higher.

Gross profit and gross margin

Our gross profit increased by approximately RMB24.5 million or 6.6% to RMB395.0 million for the year under review from approximately RMB370.5 million for the corresponding period in last year. The overall gross margin decreased from 29.9% in 2014 to 18.5% in 2015, which was primarily due to: (i) a decrease in the average selling prices of bleaching and disinfectant chemicals and other chemicals as affected by the sluggish macro-economy; (ii) the fact that the Company owns a complete package of key process technologies and has the sustainable and stable power advantage, whose product indicators and added values of products outperform that of other domestic enterprises.

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

Gross margin (%)	**For the year ended 31 December**		
	2015	2014	Change
Bleaching and disinfectant chemicals	**17.6%**	33.0%	(46.7%)
Other chemical products	**19.8%**	27.1%	(26.9%)
Overall	**18.5%**	29.9%	(38.1%)

Bleaching and disinfectant chemicals

The gross margin of bleaching and disinfectant chemicals decreased from 33.0% for the year ended 31 December 2014 to 17.6% for the year ended 31 December 2015, which was primarily attributable to the decrease in average selling price of bleaching and disinfectant chemicals as a result of the highly competitive market condition.

Other chemical products

The gross margin of other chemical products decreased from 27.1% for the year ended 31 December 2014 to 19.8% for the year ended 31 December 2015, which was also primarily attributable to the decrease in average selling price of other chemical products as a result of highly competitive market condition.

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 approximately 68.5% to approximately RMB65.2 million for the year ended 31 December 2015 from approximately RMB38.7 million for the year ended 31 December 2014, which was attributable to the expansion in the Group's sales after acquisition of Minjiang Snow during the year.

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 approximately 32.1% to approximately RMB86.0 million for the year ended 31 December 2015 from approximately RMB65.1 million for the year ended 31 December 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 increased by approximately 54.5% to approximately RMB3.4 million for the year ended 31 December 2015 from approximately RMB2.2 million for the year ended 31 December 2014, which was primarily attributable to the increase in government subsidies.

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 approximately 91.7% to approximately RMB2.3 million for the year ended 31 December 2015 from approximately RMB1.2 million for the year ended 31 December 2014, 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 increased by approximately 274.4% to approximately RMB14.6 million for the year ended 31 December 2015 from approximately RMB3.9 million for the year ended 31 December 2014, which was primarily attributable to the increase in interest income resulting from the increase 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 on financing activities, less interest capitalised in property, plant and equipment. The finance costs of the Group increased by approximately 126.7% to approximately RMB97.7 million for the year ended 31 December 2015 from approximately RMB43.1 million for the year ended 31 December 2014, which was primarily attributed to the increase in interest-bearing borrowings, and the net foreign exchange losses on the retranslation of USD-denominated borrowings as a result of appreciation of USD against RMB during the year.

Income tax expense

The Group is subject to PRC enterprise income tax rate of 25% for all our PRC subsidiaries. The income tax expense of the Group decreased by approximately 27.6% to approximately RMB43.8 million for the year ended 31 December 2015 from approximately RMB60.5 million for the year ended 31 December 2014. The effective tax rate decreased to approximately 25.3% for the year ended 31 December 2015 from approximately 26.2% for the year ended 31 December 2014 as a result of adjustments for income and certain 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 decreased by approximately 24.5% to approximately RMB129.0 million for the year ended 31 December 2015 from approximately RMB170.8 million for the year ended 31 December 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 RMB470.9 million (2014: RMB725.2 million), most of which were denominated in Renminbi. As at 31 December 2015, the interest bearing bank borrowings of the Group amounted to approximately RMB1,217.5 million (2014: RMB854.8 million).

The Group's current ratio (calculated as current assets divided by current liabilities) was approximately 1.04 (2014: 2.08). The gearing ratio (calculated as net debt divide by total capital) of the Group was 19.5% as at 31 December 2015 (2014: not applicable as the Group was in a net cash position). The Group has sufficient and readily available finance resource for both general working capital purpose and foreseeable capital expenditure.

Working capital

Inventories were approximately RMB236.8 million in total as at 31 December 2015 RMB166.5 million. The increase was primarily due to the acquistion of Minjiang Snow during the year. Average inventory turnover days was 42 days for the year 2015 (2014: 67 days).

As at 31 December 2015, trade receivables amounted to approximately RMB418.1 million in total (2014: RMB161.3 million). The increase was in line with increase in our sales during the year. The average trade receivables turnover days was 49 days for the year 2015 (2014: 57 days).

As at 31 December 2015, trade and bills payables amounted to approximately RMB345.2 million in total (2014: RMB131.6 million). The increase was mainly due to the increase in the uses of 90 days letter of credit and bills guaranteed by banks in our payments to suppliers, and the impact of the acquisition of Minjiang Snow. The average trade and bills payables turnover days was 42 days for the year 2015 (2014: 64 days).

Capital commitments

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

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Property, plant and equipment	**9,720**	83,130

Contingent liabilities

As at 31 December 2015, the Group had not provided any form of guarantee for any company outside the Group. The Group does not have any pending/potential material legal litigation in which the Group is/will be involved.

PROSPECT

2016 is the first year of "the 13th Five-Year Plan" as well as a year of top-down design for environmental protection during the "the 13th Five-Year Plan". In terms of the future development policy, the Chinese government is vigorously advocating the five development concepts of "innovation, harmonisation, greening, openness and sharing". The launch of these environmental protection policies will bring tremendous development opportunities to environmental protection, water treatment and related industries.

Strict Environmental Protection Policies Will Accelerate the Water Treatment Industry Restructuring

The Action Plan on Water Pollution Prevention and Control (hereinafter referred to as "Ten Water Directives"), printed and distributed by the State Council in April 2015, raised the major objectives of water environment treatment: By 2020 and 2030, the overall proportion of the seven key basins nationwide with the water quality reaching or exceeding Class III will reach over 70% and 75% respectively; specific objectives and measures were also put forward in the aspects of industrial pollution, urban domestic pollution, etc. The "Ten Water Directives" expressly requires the government authorities complete examination of water bodies and publish name of black and odorous water bodies, person in charge and compliance deadlines before the end of 2015. According to the requirements of the "Ten Water Directives" for black and odorous water bodies in cities, among the 295 cities at prefecture level and above in China, 1861 black and odorous water bodies have been found out in 218 cities, except for the 77 cities where no black and odorous water bodies were found. Therefore, the environmental protection work is still an arduous task.

The water treatment industry restructuring will be accelerated along with the launch of more vigorous environmental protection policies. The "survival of the fittest" development trend will be conducive for the environmental protection leaders in the industry to stand out from the market and share the water control feast worth of RMB 1 trillion.

Intensify Independent R&D and Improve Product Quality Continually

For a long time, the Group has been persisting in independent research & development and environmental-friendly production, in particular, the R&D and promotion of eco-friendly production process. In 2015, the key technology research project for sodium chlorate exhaust gas purification, which was independently researched and developed by a wholly-owned subsidiary of the Group — Sichuan Minjiang Snow Salt Chemical Industry Co., Ltd. (hereinafter referred to as "Minjiang Snow"), was awarded the Second Prize of Science and Technology Progress in Aba Prefecture, while the technology of hydrogen exhaust deoxidising device obtained the national utility model patent.

2016 will be a crucial year for pushing through the structural reform. As the cutting overcapacity and destocking measures are taken in the industry, low-end products and low-end capacity hard to realise eco-friendly production will gradually withdraw from the market, and the quality and efficiency of supply system will be enhanced accordingly. The Group will continue to conduct intensive research and development, optimise the production process, constantly increase the added values of products, and improve the product quality.

Hunt For M&A Targets and Improve Industry Chain Layout

Following the acquisition of 30% equity of Minjiang Snow in April 2013, the Group completed the acquisition of the remaining 70% equity of Minjiang Snow in February 2015. Upon completion of the acquisition, Minjiang Snow has become a wholly-owned subsidiary of the Group.

With its production base located in the Aba Prefecture, Sichuan Province, Minjiang Snow owns production lines with annual production of 180,000 tonnes of sodium chlorate, and enjoys abundant local hydropower resources. Upon completion of the acquisition, the Group has conducted integration and improvement in various aspects like technological transformation, process optimisation, productivity improvement, market expansion, etc., which has significant effect.

The Group will continue to hunt for merger and acquisition (M&A) targets, expect to improve the layout of water treatment upstream and downstream industry chain by means of M&A on suitable market opportunities, and boost the sound and rapid business development.

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 (the "Listing Date") 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. Wang Xin, Dr. Kou Huizhong and Dr. Lin Zhang, all of them are independent non-executive Directors. The chairman of the Audit Committee is Dr. Wang Xin. 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 Dr. Kou Huizhong, Dr. Lin Zhang and Ms. Miao Fei. Dr. Kou Huizhong and Dr. Lin Zhang are independent non-executive Directors and Ms. Miao Fei is an executive Director. The chairman of the Remuneration Committee is Dr. 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 any approved 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 Dr. Kou Huizhong, Mr. Lam Wai Wah and Dr. Lin Zhang. Dr. Kou Huizhong and Dr. Lin Zhang are independent non-executive Directors and Mr. Lam Wai Wah is an executive Director. The chairman of the Nomination Committee is Dr. Kou Huizhong. 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 2015.

Annual General Meeting

The forthcoming 2016 annual general meeting ("AGM") of the Company will be held in Hong Kong on Monday, 13 June 2016. 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 HK$1.92 cents (RMB1.61 cents) per share for the year ended 31 December 2015 to Shareholders whose names appear on the register of members of the Company on 20 June 2016. The proposed final dividend is subject to the approval by the shareholders at the forth coming annual general meeting to be held on Monday, 13 June 2016. The final dividend is expected to be paid on or before 24 June 2016.

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 Friday, 10 June 2016 and Monday, 13 June 2016, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 8 June 2016.

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 Friday, 17 June 2016 and Monday, 20 June 2016, 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 Thursday, 16 June 2016.

Publication of Annual Financial Results and Annual Report

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

Fujian, The PRC, 24 March 2016

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, Dr. Wang Xin and Dr. Lin Zhang.