中化化肥控股有限公司

SINOFERT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 297

NURTURING CHINA'S AGRICULTURE SECTOR

INTERIM REPORT 2012

NURTURING CHINA'S
AGRICULTURE SECTOR

CONTENTS

Corporate Information

Board of Directors
Non-Executive Director
Mr. LIU De Shu *(Chairman)*

Executive Directors
Mr. FENG Zhi Bin *(Chief Executive Officer)*
Mr. Harry YANG

Non-Executive Directors
Mr. YANG Lin
Dr. Stephen Francis DOWDLE
Ms. XIANG Dandan

Independent Non-Executive Directors
Mr. KO Ming Tung, Edward
Dr. TANG Tin Sek
Mr. TSE Hau Yin, Aloysius

Members of Committees
Audit Committee
Mr. TSE Hau Yin, Aloysius *(Chairman)*
Mr. KO Ming Tung, Edward
Dr. TANG Tin Sek

Remuneration Committee
Dr. TANG Tin Sek *(Chairman)*
Mr. KO Ming Tung, Edward
Dr. Stephen Francis DOWDLE
Mr. TSE Hau Yin, Aloysius
Mr. Harry YANG

Nomination Committee
Mr. KO Ming Tung, Edward *(Chairman)*
Dr. Stephen Francis DOWDLE
Dr. TANG Tin Sek
Mr. TSE Hau Yin, Aloysius
Mr. Harry YANG

Corporate Governance Committee
(established on 22 March 2012)
Mr. FENG Zhi Bin *(Chairman)*
Mr. Harry YANG
Ms. ZHANG Xiao Qian
Ms. CHEUNG Kar Mun, Cindy

Chief Financial Officer
Mr. GAO Jian

Qualified Accountant
Ms. CHEUNG Kar Mun, Cindy

Company Secretary
Ms. CHEUNG Kar Mun, Cindy

Auditors
KPMG

Legal Adviser
Herbert Smith LLP

Principal Bankers
Bank of China
China Construction Bank
Industrial and Commercial Bank of China
Agricultural Bank of China
Bank of Tokyo-Mitsubishi
Rabobank International

Registered Office
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business
Units 4601-4610, 46th Floor
Office Tower, Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

Share Registrars and Transfer Offices
Bermuda (Principal office)
HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM11
Bermuda

Hong Kong (Branch)
Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Company Website
www.sinofert.com

Share Listing
The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
Stock Code: 297

Investor Relations
Hong Kong

Telephone	:	(852) 3656 1588
Fax	:	(852) 2850 7229
Address	:	Units 4601-4610, 46th Floor Office Tower, Convention Plaza 1 Harbour Road Wanchai, Hong Kong

Beijing

Telephone	:	(10) 5956 9635
Fax	:	(10) 5956 9627
Address	:	Level 10, Central Tower Chemsunny World Trade Centre 28 Fuxingmen Nei Road Beijing 100031, PRC

Chairman's Statement

Dear Shareholders,

Hereby I present to all the shareholders the interim results of Sinofert Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2012.

During the first half of 2012, the international and domestic economic situation was rigorous, yet for the fertilizer industry, China's modern agricultural development accelerated and the overall fertilizer market progressed steadily. In this environment, the Group strengthened its traditional edge, sped up innovation and transformation, grasped the market opportunities, and steadily improved its operation performance. The total sales volume in the first half of 2012 increased to 9.05 million tons, up by 7.82% compared to the same period in 2011; the Group's sales revenue was RMB22,537 million, up by 22.01% year on year; the profit attributable to shareholders was RMB546 million with an increase of 9.93% compared to the same period in 2011, excluding the effect of the change in fair value in derivative component of convertible loan notes, up by 21.53%; the net cash from operating activities was RMB863 million. Meanwhile, the Group strove constantly to improve its operation connotation. First of all, the profit-making model of equilibrium contribution was continuously consolidated, profit contributed by its subsidiaries increased, and the operation effectiveness reached a historic high; secondly, the Group strengthened the solid foundation of its trading and marketing business, carried on reform and innovation, and consolidated its strategic alliances with major international suppliers in potash and compound fertilizer imports as well as DAP imports from Morocco and Tunisia, which maintained its profit contribution and market edge, meanwhile the profit contributed by domestic fertilizer business increased year on year; thirdly, through the acquisition of Xundian Lomon Phosphorus Chemical Co., Ltd with 300 million tons of premier phosphate resources, the Group achieved a breakthrough in resource strategy, a smooth transition and earnings in the current period.

In the second half of 2012, with the risk of a relatively large economic slowdown risk and increasing uncertain factors, a rapid recovery in the global economy is unlikely; as China's economy growth is slowing down, "steady growth" becomes the primary goal. However, in the context of the sluggish global economy, the fundamentals of agricultural products are promising, the government has strengthened its support for the policy of "Serve to Agriculture, Farmers and the Countryside", and the progress in China's modern agriculture has sped up, all of which will bring opportunities to the fertilizer industry.

Confronted with a complex market climate, the Group will strictly control the operation risks, make a targeted operation strategy and endeavour to increase the performance contribution in the current year. At the same time, the Group will accelerate its progress in innovation and transformation, further push forward its six major strategies of "Marketing, Industry, Resource, Science and Technology, Information, and Human Resource", and foster its core competencies for the future so as to build a solid foundation for the Group's sustainable development in the long run. The Group will carry forward the customer-oriented marketing service strategy by seeking a breakthrough in marketing and distribution network innovation; insist on promoting the industrial development strategy for advanced manufacturing by its subsidiaries' management improvement, technological upgrading, cost reduction and efficiency improvement as well as safe production; promote its resource acquisition strategy with a global vision by seeking breakthrough in acquiring coal, natural gas, potash and other resources; carry forward its scientific and technological innovation strategy of service industry by grasping opportunities created by modern agriculture and China's independent innovation and embarking on a road of intensive development; push forward the information assurance strategy leading the transformation by establishing an information platform with synergistic operations and uniform technology covering the entire industrial chain; and strengthen its human resource strategy as an engine for development by introducing talents and building teams.

Chairman's Statement

With the changes to China's agricultural development model, the fertilizer industry is in urgent need of transformation and upgrading so as to embark on a road of intensive development. The Group will adhere to the vision of "becoming a global leading provider for agricultural inputs and agrichemical services", continue to follow through on its responsibility concept of "Serve to Agriculture, Farmers, and the Countryside, Strengthen Agriculture and Benefit Farmers", and be committed to creating values for the shareholders, customers, the society and its employees.

Finally, on behalf of the board of the directors, I would like to take this opportunity to extend our heartfelt appreciations to all the shareholders, customers, the management and the employees of the Group. We hope to have your continuous attention and support. The Group's management and employees will bear in mind our mission, keep our passion, be devoted to innovations and entrepreneurship and make great contribution to the continuous development of Company.

Liu De Shu
Chairman of the Board

Hong Kong, 23 August 2012

Management Review and Prospect

In the first half of 2012, the international economic climate was complicated, the economy of Eurozone was in recession, the economy of United States underwent a slow recovery, other emerging economies had a limit growth influenced by the Europe and United States, and the prices of energy and resource continued to fall and fluctuated dramatically. At the same time, domestic economy exhibited an obvious downward trend; IMF estimated that China's annual economic growth would be below 8%. Yet against the rather complex domestic and international economic environment, the overall fertilizer market remained stable.

Faced with the market climate in the first half of 2012, under the leadership of the Group's board of directors, with the guidance of China's "12th Five-Year Plan", taking the opportunity of developing modern agriculture, the Group firmly implemented the guiding philosophy of enriching its operation connotation, consolidating management foundation and improving profitability; constantly carried on innovation of marketing, technology and management; deepened the transformation and further promoted its six major strategies of "Marketing, Industry, Resource, Science and Technology, Information, and Human Resource" so as to build the core competencies and strengthen the Group's capability of sustainable development.

Financial Highlights

For the six months ended 30 June 2012, the Group realized 2.02 million tons of production capability, up by 7.44% year on year; total sales volume of 9.05 million tons, up by 7.82% compared to the same period in 2011, turnover of RMB22,537 million, up by 22.01% year on year; and profit attributable to shareholders of RMB546 million with an increase of 9.93% compared to the same period in 2011, excluding the effect of the change in fair value in derivative component of convertible loan notes, up by 21.53%.

In the first half of 2012, the Group realized a total sales volume of 9.05 million tons, up by 7.82% year on year. Its turnover reached

RMB22,537 million,

up by 22.01%

year on year. Profit attributable to shareholders was RMB546 million, up by 9.93% year on year, excluding the effect of the change in fair value in derivative component of convertible loan notes, up by 21.53%

Marketing Business

In the first half of 2012, the government of China was further committed to the policy of "Strengthening Agriculture, Benefiting and Enriching Farmers", continuously carried out direct subsidies to farmers, comprehensive agricultural subsidies, subsidies for planting superior seed varieties as well as farm machinery purchase subsidies. Price floors on wheat and rice purchases were increased. In the form of No. 1 Central Document, the Group advocated agricultural technology, vigorously progressed agricultural modernization, industrialization and urbanization, kept grain production capacity at 525 million tons, collectively promoted a relatively quick increase for farmer's income, and continuously improved its ability to support the supply of agricultural products.

In the context of this favourable agricultural macro-economic environment, the Group conformed to the development trend of China's agricultural industry, enhanced its market analysis and forward-looking anticipation, monitored closely the changes in supply and demand and strengthened marketing services and customer development. In the first half of 2012, sales volume of marketing business realized 7.99 million tons, up by 8.87% compared to the same period of last year; turnover was RMB19,531 million, up by 22.63% year on year; gross profit was RMB871 million, up by 10.05% compared to the same period in 2011.

In the first half of 2012, the development of distribution network focused more on the intensive development. 50 of the existing 2,110 distribution centres were optimized. Meanwhile, new channels for the distribution network were actively explored, direct sales service was provided to large growers, and comprehensive services such as soil testing, formula fertilization, demonstration, and guidance were provided; service support capabilities were strengthened through close cooperation with local government agencies; and customer management was continuously enhanced, as business with grassroot customers steadily increased.

Production

This year is the second year of China's "12th Five-Year Plan", and the fertilizer industry proceeds along the pre-established development direction of "improving industrial concentration, promoting the technological advancement", actively promoting the coal gasification technology, putting emphasis on the application of new technologies such as low-cost coal and high-sulphur coal pressure gasification, focusing on developing and promoting the technologies related to mid-low grade phosphate rock acid-making, phosphate acid purification as well as sulphuric phosphate waste heat utilization.

In the first half of 2012, the Group conformed to the development trend of the "12th Five-Year Plan", the production yields, sales volumes and profits of all subsidiaries took on a growing momentum, hitting historic highs compared to the same period in 2011. As at 30 June 2012, output of 2.02 million tons was completed, up by 7.44% year on year; the profits attributable to the Company's shareholders was RMB280 million, up by RMB113 million compared with the same period in 2011. Through reinforcing management, all the major consumption indicators of subsidiaries decreased: coal consumed per RMB10,000 worth of production was 2.14 tons, down by 14% compared to the same period in last year; SO_2 (sulfur dioxide) emission per RMB10,000 worth of production was 2,446 tons, down by 7% year on year.

In order to significantly improve the control levels of the Group's subsidiaries, the first stage of a safety production control platform – the Safety Production Information Platform Construction was completed in the first half of 2012 and information management system was initially formed in terms of the enterprise comprehensive management, safety management, operation management, equipment management, technology management, environment protection, energy conservation and emissions reduction, the management of safety production information was generally realized in real time. At the same time, benchmarking management and the activity with the theme of "Equipment Defect Reduction, Civilized Production Improvement" were vigorously carried out. As a result, rectification and reform ratios for hidden equipment failures reached more than 90%, production stability was obviously improved, the urea output of Sinochem Pingyuan Chemical Co,. Ltd ("Sinochem Pingyuan") was stabilized at 2,900 tons per day, and the urea output of Sinochem Jilin Changshan Chemical Co,. Ltd ("Sinochem Changshan") was stabilized at 920 ton per day, both of which were substantially improved compared with the same period in 2011. Furthermore, 300,000 tons per year coal ball to coal stick project of Sinochem Pingyuan was commissioned smoothly, which helped to expand raw material sources and reduce the production costs.

In light of its industrial development philosophy for advanced manufacturing, the Group constantly promoted technological upgrading, embarked on a road of intensive development, around the areas with existing industrial advantages, insisted on cost reduction and efficiency improvement so as to enhance its industrial competitiveness. In June 2012, the energy-saving and consumption-reducing rebuilding and expansion project for urea production units of Sinochem Changshan was officially approved by the Board of Directors. The total investment will be RMB1,198 million and the construction will take two years. After this project is put into production, synthetic ammonia and urea production capacity will increase to 0.36 million tons per year and 0.60 million tons per year respectively.

Resource Acquisition

In the first half of 2012, although the global economy weakened, and the prices of energy and resources declined generally, the price of phosphate rock at home and abroad was still strong, by the end of June 2012, the price of domestic phosphate rock reached RMB675 per ton, CFR up by 16% compared with the beginning of this year, the price abroad also kept high at USD180 per ton FOB.

At the beginning of 2012, the Group grasped the opportunity to invest RMB1.38 billion to acquire a 100% equity stake in Xundian Lomon Chemical Co., Ltd ("Xundian Lomon"), obtained 300 million tons in phosphate resources, became one of the leading enterprises with phosphate resource. Besides that, it could further exploit phosphate resources in the southwest China, which lay a foundation for the Group's sustainable development. From the acquisition date to 30 June 2012, the management transition was completed smoothly, this subsidiary has realized profits of RMB35 million for the Group.

Internal Control and Management

The Group attaches great importance to internal control and management. Apart from the special committees of the board, the Group also set up seven special management committees including risk management committee, vigorously promoted the internal control and risk management system of "oriented by risk management, and strengthened by internal control" within the scope authorized by the board. Risk management was continuously intensified; every risk indicators incorporated into hierarchy of its evaluation system, the responsibility system was emphasized. Good corporate governance structure and process system have become the cornerstone of internal control and risk management.

The Group's internal control and risk management systems were standardized by "Enterprises Risk Management – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission in United States and an "Internal Control and Risk Management – A Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants, combined with "the Enterprise Internal Control Basic Standard" and related guidelines issued by the Ministry of Finance and four other PRC ministries. Risk identification and evaluation work were carried out regularly. In respect of Health, Safety and Environment (HSE), market, inventory, credit and other major risks management, the Group implemented risk-alerting management system and differentiated coping strategy. To different operation units such as distribution network and subsidiaries, different risks implementing roadmaps and application plans were carried out.

Through the above series of corporate governance activities, the Group better coped with the changes in the operation environment at home and aboard, corporate strategic transformation was supported, shareholders' interests, assets safety and strategic implementation were intelligently secured.

Management Review and Prospect

Corporate Social Responsibility

The Group always adheres to the corporate mission of "Serve to Agriculture, Farmers, and the Countryside, Strengthen Agriculture and Benefit Farmers", by means of a self-built distribution network spread over the major agricultural provinces and counties, with the objective of end-users, the Group cooperated with the Ministry of Agriculture and promoted a focus on the social public welfare, through measures including soil testing, farmers field schools, "Double-growth 200" corn in northeast area, etc.. In the first half of 2012, grassroots agrochemical service events were constantly held for a total of over 766 activities, 110 farmers field schools were built, and over 200 training activities were organised. The activity "Sinochem Corn King Challenge" was co-organized with the Ministry of Agriculture, 28 demonstration counties were chosen to establish over 42 demonstration villages in order to support the "Double-growth 200" corn technology campaign in northeast China, at the same time, 50,000 copies of "Technological Booklets for High-yield Corn" were co-published with the Ministry of Agriculture, 100,000 corn high-yield technology posters for the purposes of grassroots training and publicity. Promotional cooperation with three north-eastern provincial TV stations was realized, which directly benefited over one million farmers.

In addition, the Group was the first to open a 800 free hotline and 400 customer service system. The Group hired professors specializing in plant nutrition, fertilizer, and plant protection answer the farmer's questions on planting and applying fertilizer online year round and then placed all the questions and answers into articles broadcasted on a public program – Sinochem Agri-Plaza co-sponsored with China National Radio. Audiences benefited in total were up over 1.8 billion. The press cooperation with "Farmer Daily", "Agricultural Herald" and another three rural-facing and agriculture-facing media, for which a year long "agro-chemical service specific column" was composed, becoming an "instruction" guidance to directly provide farmers and agro-dealers with scientific farming and fertilization.

Outlook

In the second half of the year and near future, global grain consumption will steadily increase, meanwhile United States, Europe, Australia, India and other countries were severely affected by the natural disasters, putting heavy pressure on the global food supply. It is estimated that the global food supply and demand will remain a tight balance for a certain period in the future.

After China's industrialization entered into mid-late phase, the urbanization rate was over 50%, and China's agricultural modernization went into acceleration. Modern agriculture is an important engine for China's future economic development. In the coming years, the central government will continue to reinforce its policies of "Strengthening Agriculture and Benefiting Farmers", increase agricultural input, improve the infrastructures, promote the steady development of agriculture and constant income increases for farmers. The long-term picture of agricultural development remains positive. Enterprises which are tackling agricultural modernization and are actively transforming will benefit from this process.

In the second half of 2012, the Group will continue to promote the pre-established development strategies, insist on the "strategy of customer-oriented marketing service strategy as well as its industrial development strategy of advanced manufacturing, the strategy of resources acquisition with a global vision, the strategy of technological innovation serving to the industry, the strategy of talent engine to promote the development, and the strategy of information guarantee to guide the transformation". The Group will take full advantage of its comprehensive competitiveness, improve its ability of sustainable development, and achieve each of its operating objectives for 2012 to create value for shareholders and contribute more to the national food security and agricultural development.

In the first half of 2012 while consolidating its advantage in integrated upstream, midstream and downstream operations, the Group constantly promoted innovation and transformation, and gradually improved its business and operation models.

For the six months ended 30 June 2012, sales volume of the Group was 9.05 million tons, and turnover was RMB22,537 million, up by 7.82% and 22.01% respectively, in the corresponding period in 2011.

For the six months ended 30 June 2012, gross profit of the Group was RMB1,469 million, up by 26.59% in the corresponding period in 2011; profit attributable to shareholders of the Company was RMB546 million, up by 9.93% from RMB496 million for the six months ended 30 June 2011, excluding the effect of the change in fair value in derivative component of convertible loan notes, up by 21.53%.

I. Operation Scale

1. Sales Volume

For the six months ended 30 June 2012, sales volume of the Group was 9.05 million tons, up by 7.82% over the corresponding period in 2011. In the first half of 2012, the Group realized sales volumes of 6.75 million tons in domestic fertilizers, up 8.42% over the corresponding period in 2011, and sales volume in imported fertilizer of 1.94 million tons, slightly grew over the corresponding period in 2011. From the point of product structure, potash fertilizer business of the Group continued to grow steadily and sea-borne potash remained strongly competitive in particular, with sales volume up by 4.10% over the corresponding period in 2011; phosphate fertilizer business realized 33.39% growth in sales volume over the corresponding period in 2011 by strengthening the cooperation with core supplier alliance and stabilizing supply from the Group's subsidiaries and joint ventures; compound fertilizer businesses increased by 8.26% in sales volume over the corresponding period in 2011 by taking advantage of its whole industry chain edge, with stable supply from subsidiaries of the Group in upstream and a strong distribution network to enlarge its sales volume in downstream; nitrogen fertilizer business increased slightly year on year.

2. *Turnover*

For the six months ended 30 June 2012, turnover of the Group was RMB22,537 million, up by RMB4,065 million, or 22.01% over the corresponding period in 2011 with a higher growth rate than that of sales volume. The main reason for the growth in turnover was that the average selling price of the Group increased by 13.16% over the corresponding period in 2011, under the influence of the prices of fertilizer prices increased steadily during the first half of 2012.

The breakdown of turnover by product of the Group for the six months ended 30 June 2012 is as follows:

Table 1:

	For the six months ended 30 June			
	2012		2011	
	Turnover RMB'000	**As percentage of total turnover %**	Turnover RMB'000	As percentage of total turnover %
Potash Fertilizers	**5,354,864**	**23.76%**	4,718,641	25.55%
Nitrogen Fertilizers	**7,668,864**	**34.03%**	6,497,350	35.17%
Compound Fertilizers	**3,452,635**	**15.32%**	2,873,403	15.56%
Phosphate Fertilizers	**5,236,202**	**23.23%**	3,722,492	20.15%
Others	**824,180**	**3.66%**	659,905	3.57%
Total	**22,536,745**	**100.00%**	18,471,791	100.00%

3. *Turnover and Result by Segment*

The operating segments of the Group include marketing and production. Marketing refers to purchase and distributing of fertilizers and agriculture related products and production refers to fertilizers production and sales.

The following is an analysis of the Group's turnover and profit by operating segment for the six months ended 30 June 2012 and the corresponding period in the previous year:

Table 2:

	For the six months ended 30 June 2012			
	Marketing RMB'000	**Production RMB'000**	**Elimination RMB'000**	**Total RMB'000**
Turnover				
External sales	**19,241,347**	**3,295,398**	**–**	**22,536,745**
Internal revenue	**289,383**	**1,425,047**	**(1,714,430)**	**–**
Segment revenue	**19,530,730**	**4,720,445**	**(1,714,430)**	**22,536,745**
Segment gross profit	**871,235**	**597,817**	**–**	**1,469,052**
Segment profit	**409,293**	**303,892**	**–**	**713,185**

	For the six months ended 30 June 2011			
	Marketing RMB'000	Production RMB'000	Elimination RMB'000	Total RMB'000
Turnover				
External sales	15,736,858	2,734,933	–	18,471,791
Internal revenue	190,065	1,349,015	(1,539,080)	–
Segment revenue	15,926,923	4,083,948	(1,539,080)	18,471,791
Segment gross profit	791,704	368,820	–	1,160,524
Segment profit	424,377	119,792	–	544,169

Segment profit represents the profit earned by each segment without unallocated expenses/income, the changes in fair value for derivative instruments or finance costs. It is the measure reported to the chief operating decision maker for the purpose of resources allocation and assessment of segment performance.

The Group's results for the six months ended 30 June 2012 increased by RMB169 million, or 31.06% over the corresponding period of 2011, as a result of the increasing Chinese domestic fertilizer prices. For the six months ended 30 June 2012, the Marketing Segment realized profits of RMB409 million, down by RMB15 million or 3.55% over that of RMB424 million for the corresponding period in 2011. The reason for the decrease was mainly due to the increasing logistics cost of the Group's Marketing Segment caused by the overall increase of domestic logistics costs. The Production Segment realized profits of RMB304 million, up by RMB184 million or 153.68% over that of RMB120 million over the corresponding period in 2011. The reason for the increase was mainly that the Group seized the favourable market opportunities in the first half of 2012, continuously insisted on technological renovation, cost reduction and efficiency improvement, improved production efficiency, and realized stable and high yields for the production subsidiaries, all of which brought significant increases in profits of the Production Segment over the corresponding period in 2011.

Management Discussion and Analysis

II. Profit

1. Gross profit

For the six months ended 30 June 2012, gross profit of the Group was RMB1,469 million, up by RMB309 million over the corresponding period in 2011.

The Group adopted different strategies to different products. Through steady potash supply and strong marketing promotion, the potash fertilizer market kept stable and the gross profit increased by 9.88% with the gross margin basically flat over last year; in nitrogen fertilizer business, the gross margin increased by 1.9% over that of 2011, with the gross profit up by 84.68% through seizing the price rising opportunities in the first half of 2012 and taking full advantage of comprehensive competitive edges in integration of production and sales, combination of trade and distribution, and unification of international and domestic business of the Group; in compound fertilizer business, sales volume increased and gross profit was gradually improved through integrating the Group's compound subsidiaries to fully achieve economies of scale and promoting differentiated operations among the Group's distribution network; in phosphate fertilizer business, the gross profit increased by 12.78% through steady supply from the Group's subsidiaries and joint ventures as well as a strong grasp of the market opportunity.

In summary, the gross profit for each category of products of the Group was steadily improved.

2. Share of results of jointly controlled entities and associates

Share of results of jointly controlled entities: For the six months ended 30 June 2012, share of results of jointly controlled entities of the Group were basically flat in the corresponding period in 2011, including a total profit of RMB41 million in shares from Yunnan Three-Circle Sinochem Fertilizer Co., Ltd. ("Yunnan Three-Circle"), Yunnan Three Circle-Sinochem-Mosaic Fertilizer Co. Ltd. and Gansu Wengfu Chemical Co., Ltd..

Share of results of associates: For the six months ended 30 June 2012, share of results of associates of the Group amounted to RMB120 million, down by RMB26 million or 17.74% over that of RMB146 million in the corresponding period in 2011. The reason was mainly that the phase I of comprehensively utilized chemicals project of Qinghai Salt Lake Industry Co., Ltd. ("Salt Lake Industry") was still in pilot production phase, and economies of scale could not be realized yet, which led to more costs than revenues and less profit compared with last year.

3. Income tax expenses

For the six months ended 30 June 2012, income tax expenses for the Group were RMB96 million mainly due to a strong fertilizer market. Except for Sinochem Fertilizer and Sinochem Pingyuan Chemical Co., Ltd. could still generate taxable income against tax losses from previous years, all subsidiaries had already offset all the tax losses from previous years, and began to generate taxable profits. In addition, Sinochem Fertilizer was able to utilize taxable losses from previous years as a result of profit-making during the reporting period.

The subsidiaries of the Group were registered in mainland China, Macao and Hong Kong respectively, where profit tax rates vary. Among them, the tax rate of mainland China is 25%, the Group's profit derived from Macao is exempted from profits tax, while Hong Kong profits tax rate is 16.5%. The Group strictly complies with the taxation laws of the respective jurisdictions and pays taxes accordingly.

4. *Profit attributable to shareholders and net profit margin*

For the six months ended 30 June 2012, profit attributable to shareholders of the Company was RMB546 million, up by RMB49 million over the corresponding period in 2011.

For the six months ended 30 June 2012, net profit margin of the Group derived from dividing profit attributable to shareholders of the Company by turnover was 2.42%.

III. Expenditures

For the six months ended 30 June 2012, total expenses were RMB879 million, up by RMB154 million or 21.32% over that of RMB725 million for the corresponding period in 2011. The expenditure details are as below:

Selling and distribution expenses: For the six months ended 30 June 2012, selling and distribution expenses were RMB374 million, up by RMB39 million or 11.74% over that of RMB335 million for the corresponding period in 2011. This was mainly due to the expansion of Group's sales business and the impact of the rising domestic logistics cost, which was also increased compared with the same period in 2011.

Administrative expenses: For the six months ended 30 June 2012, administrative expenses were RMB291 million, up by RMB66 million or 29.50% over that of RMB225 million over the corresponding period in 2011. The reasons were mainly as follows: firstly, the acquisition of Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong") led to an increase of RMB30 million in administrative expenses over the corresponding period in 2011; secondly, with the expansion of the Group's scale, increase in the number of employees, and recovery of operating results, remuneration of employees and other administrative expenses increased by RMB24 million over the corresponding period in 2011.

Finance costs: For the six months ended 30 June 2012, finance costs were RMB214 million, up by RMB49 million or 29.58% over that of RMB165 million for the corresponding period in 2011. The reasons were mainly as follows: firstly, the increasing average loan led to financial costs up by RMB28 million; secondly, the overall capital cost grew by 0.94% resulted in financial costs up by RMB21 million year on year.

Management Discussion and Analysis

IV. Other Expenses and Losses

For the six months ended 30 June 2012, the Group's other expenses and losses amounted to RMB144 million, down by RMB333 million, or 69.82% over that of RMB477 million for the corresponding period in 2011. The main reasons were:

1. In the first half of 2011, profit was squeezed in one of the Group's nitrogen production subsidiaries as a result of the combination of increasing production costs caused by higher price for major raw materials and steady selling price due to domestic supply and demand. The Group recognized goodwill impairment in the first half of 2011 since recoverable amount were less than the total book value of goodwill and long-term assets. However, no impairment was found after the goodwill impairment test in this reporting period. Other expenses and losses decreased by RMB265 million over the corresponding period in 2011.

2. In the first half of 2011, since a production facility in one of the Group's subsidiaries was idled because of the low market price for the product, the Group recognized fixed assets impairment of RMB60 million based on the difference between the net realizable value and the book value of the production facility in the first half of 2011. During this reporting period, the Group reviewed the fixed assets impairment made in 2011 and there was no change to the amount, so no fixed assets impairment loss was recognized in 2012.

3. In the first half of 2011, the Group held shares of China XLX Fertiliser Ltd. ("China XLX") whose price kept dropping since the beginning of 2011 with no signs of recovery to pick up in the near future, RMB51 million of available-for-sale investments impairment was then recognized in the last reporting period. In the first half of 2012, the stock price of China XLX recovered. Although the stock price on 30 June 2012 dropped slightly, it did not drop continuously. Therefore, the changes in fair value of the share was counted into equity by the Group.

V. Inventory Turnover

The inventory balance of the Group as at 30 June 2012 was RMB6,999 million, down by RMB465 million, or 6.23% over that of RMB7,464 million as at 31 December 2011. Inventory turnover days *(Note)* decreased from 66 days in 2011 to 62 days for the first half of 2012 as the Group accelerated the inventory turnover and lowered the inventory risk by continuously adhering to its operational strategy of "quick-buy-and-quick-sell".

Note: Inventory turnover days for the six months ended 30 June 2012 was calculated on the basis of average inventory balance as at the end of the reporting period divided by cost of goods sold for the reporting period, and multiplied by 180 days.

Inventory turnover days for 2011 was calculated on the basis of average inventory balance as at the year ended 31 December 2011 divided by cost of goods sold in 2011, and multiplied by 360 days.

VI. Trade and Bills Receivables Turnover

The balance of the Group's trade and bills receivables as at 30 June 2012 was RMB2,677 million, up by RMB968 million or 56.67% over that of RMB1,709 million as at 31 December 2011. This was mainly because the Group granted limited credit to long term cooperative partners with good reputation as the sales revenue of the Group increased and the Group was also affected by factors such as the macroeconomic environment in the first half of 2012, which eventually led to an increase in the balance of bills receivables as at 30 June 2012 over that as at 31 December 2011.

On the basis of significant growth in sales revenue, trade and bills receivables turnover days *(Note)* were shortened to 16 days for the first half of 2012 from 23 days for the year 2011.

Note: Turnover days for the first half of 2012 was calculated on the basis of the average trade and bills receivables balance excluding bills discounted to banks as at the end of the reporting period divided by turnover for the reporting period, and multiplied by 180 days.

Turnover days for 2011 was calculated on the basis of average trade and bills receivables balance excluding bills discounted to banks as at the end of the year ended 31 December 2011 divided by turnover in 2011, and multiplied by 360 days.

VII. Interests in Jointly Controlled Entities

As at 30 June 2012, the balance of the Group's interests in jointly controlled entities was RMB564 million, down by RMB155 million or 21.48%, over that of RMB719 million as at 31 December 2011. The reason was mainly that Guiyang Sinochem Kailin Fertilizer Co., Ltd. ("Sinochem Kailin"), one of the Group's jointly controlled entities, raised capital and expanded shares in the first half of 2012. The equity proportion of the Group in Sinochem Kailin was then diluted to 13.41% and the Group lost joint control rights in the entity. Therefore, the equity in Sinochem Kailin was reclassified into available-for-sale investments, with a value of RMB195 million.

VIII. Interests in Associates

The balance of the Group's interests in associates as at 30 June 2012 was RMB7,874 million, up by RMB120 million or 1.54% over that of RMB7,754 million as at 31 December 2011. The reason was mainly that the shares held by the Group in the first half of 2012 was recognized by the associates under the equity method, among these, the share attributable to Salt Lake Industry was RMB105 million; to Guizhou Xinxin Industrial and Agricultural Trading Co., Ltd. was RMB15 million respectively in the current period.

IX. Available-for-sale Investments

As at 30 June 2012, the balance of the Group's available-for-sale investments was RMB367 million, up by RMB194 million or 111.70% over that of RMB173 million as at 31 December 2011. The reason was mainly that the Group's long-term investments were proportionally diluted, thus the Group lost its joint control in Sinochem Kailin. Therefore, the investment has been reclassified as an available-for-sale investment.

X. Long and Short-Term Borrowings

As at 30 June 2012, the balance of the Group's long-term and short-term borrowings was RMB6,188 million, up by RMB767 million or 14.14% over that of RMB5,421 million as at 31 December 2011. The reason was mainly that the Group's business scale expanded in the reporting period, which led to an increase of capital demand as well as a corresponding increase in the size of borrowings correspondingly.

XI. Trade and Bills Payables

As at 30 June 2012, the balance of the Group's trade and bills payables was RMB5,927 million, up by RMB395 million or 7.14% over that of RMB5,532 million as at 31 December 2011. The reason was mainly attributed to 90 days of credit provided by suppliers in the reporting period, and corresponding increases in the balance of trade and bills payables.

XII. Other Financial Indicators

Basic earnings per share for the six months ended 30 June 2012 was RMB0.0777, up by RMB0.0070 over that of RMB0.0707 over the corresponding period in 2011. Return on equity (ROE) for the six months ended 30 June 2012 was 4.04%, up by 0.21 percentage points over that of 3.83% for the corresponding period in 2011.

Table 3:

	For the six months ended	
	30 June 2012	30 June 2011
Profitability		
Earnings per share (RMB) *(Note a)*	**0.0777**	0.0707
ROE *(Note b)*	**4.04%**	3.83%

Notes:

a. Calculated on the basis of profit attributable to the shareholders of the Company for the reporting period divided by weighted average number of shares for the reporting period.

b. Calculated on the basis of profit attributable to the shareholders of the Company for the reporting period divided by total equity (excluding non-controlling interests) as at the end of the reporting period.

As at 30 June 2012, the Group's current ratio was 1.02, and the debt-to-equity ratio was 41.77%, representing a stable financial structure.

Table 4:

	As at 30 June 2012	As at 31 December 2011
Solvency		
Current ratio *(Note a)*	**1.02**	1.15
Debt-to-Equity ratio *(Note b)*	**41.77%**	40.55%

Notes:

a. Calculated on the basis of current assets divided by current liabilities as at the reporting date.

b. Calculated on the basis of interest-bearing debt divided by total equity as at the end of the reporting period (interest-bearing debt does not include discounted and not yet matured bills receivables).

XIII. Liquidity and Financial Resources

The Group's principal sources of financing included cash, bank borrowings and proceeds from the issue of new shares and loan notes. All the financial resources were primarily used for the Group's daily production and operation, repayment of liabilities as they fall due and for related capital expenditures.

As at 30 June 2012, cash and cash equivalents of the Group amounted to RMB385 million, which were denominated mainly in Renminbi and US dollars.

Below is an analysis of the Group's long and short-term borrowings:

Table 5:

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Secured	**393,678**	–
Unsecured	**3,311,472**	2,939,931
Bonds		
Principal	**2,500,000**	2,500,000
Less: amortized trading cost	**(17,390)**	(18,565)
Total	**6,187,760**	5,421,366

Table 6:

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Within one year	**3,257,032**	2,349,358
More than one year, but not exceeding five years	**448,118**	583,300
More than five years	**2,482,610**	2,488,708
Total	**6,187,760**	5,421,366

Table 7:

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Fixed interest rate	**2,625,987**	3,275,343
Floating interest rate	**3,561,773**	2,146,023
Total	**6,187,760**	5,421,366

As at 30 June 2012, bills receivables with a carrying amount of approximately RMB394 million were discounted to banks.

The Group intended to meet its obligations for the above borrowings by using internal resources.

As at 30 June 2012, the Group had banking facilities of RMB36,949 million, including USD2,005 million and RMB24,659 million. The amount of utilized banking facilities consisted of USD820 million and RMB1,909 million, while that of unutilized banking facilities consisted of USD1,185 million and RMB22,750 million.

XIV. Operational and Financial Risks

The Group's major operational risks: The international economic risks were complicated and changeable, the downtrend of domestic economy was obvious. Domestic fertilizer production was generally overcapacity, market competition was intense, the impact of market risk and uncertainty increased. Price trend of feed coal, phosphorous rock, sulfur and other fertilizer raw materials also affected the subsidiaries' cost, thus affected the profit.

The Group's major financial risks include: market risk, credit risk and liquidity risk.

Market risk

Market risk includes currency risk, interest rate risk and other price risk. Currency risk means unfavourable changes in exchange rates that may have an impact on the Group's financial results and cash flows; interest rate risk means the unfavourable changes in interest rates that may lead to changes in the fair value of fixed rate borrowings; and other price risk means the Group's risk relating to the value of equity investments, which mainly derive from investments in equity securities and financial derivatives.

Most of the Group's assets, liabilities and transactions are determined in Renminbi, US dollars and Hong Kong dollars. As the amount of the Group's foreign currency dominated assets and liabilities are immaterial, the fluctuations of exchange rates did not have a significant impact on the performance of the Group. The Group manages its currency risk by closely monitoring the movement of foreign currency rates to consider whether hedging should be taken to avoid the risk. And as for interest rate risk, since domestic economic conditions are complicated and changeable, it is frequent for China to change the policy of direct interest rate and reserves against deposit ratio, under which the borrowings with floating interest rates of the Group are faced with the risk of interest rate of cash flows. Currently, the Group is slightly affected by interest rate risk since its exterior borrowings are relatively minimal.

Credit risk

The Group's greatest credit risk is that of the counterparties failing to perform their obligations in relation to each class of recognized financial assets, which have been confirmed and recorded in the condensed consolidated statement of financial position as at 30 June 2012. The Group has adequate monitoring procedures in respect of granting credit line, credit approval and other related aspects so as to greatly reduce credit risk by ensuring timely follow-up overdue debt.

Liquidity risk

In order to manage liquidity risk, management monitored and maintained sufficient cash and cash equivalents of the Group, raised funds to fulfil the operational requirements as necessary and maintained a stable cash flow of the Group. The management further monitored the utilization of bank borrowings.

XV. Contingent Liabilities

As at 30 June 2012, the Group had no material contingent liabilities.

XVI. Capital Commitment

Table 8:

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Capital expenditure in respect of acquisition project, property, plant and equipment		
Contracted but not provided for	**23,190**	19,085
Authorized but not contracted for	**1,644,236**	2,095,810
Total	**1,667,426**	2,114,895

The Group plans to finance the above capital expenditure by internal resources. Besides the capital commitment stated above, the Group had no other material plans for major investment or assets acquisition.

XVII. Major Investments

For the six months ended 30 June 2012, the material investment of the Group was the acquisition of Sinochem Yunlong, with a consideration of RMB1,380 million. As at 30 June 2012, the Group has paid equity stake in transfer RMB500 million, with the balance of RMB880 million to be payable upon when the payment terms specified in the purchase agreement are met.

XVIII. Remuneration Policy

The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus, mandatory provident funds, state-managed retirement benefits scheme and share options granted under the share option schemes of the Company. The objective of the Group is to associate the interests of key employees with the performance of the Group and the interests of shareholders, as well as achieving balance of short-term and long-term benefits through a reasonable system. Meanwhile, the Group also aims at maintaining the competitiveness of the overall compensation. The level of cash compensation to employees offered by the Group varies with importance of duties. The higher the importance of duties, the higher will be the proportion of incentive bonus of total remuneration. This can ensure that the Group can recruit, retain and motivate high-caliber employees required for the development of the Group and to avoid offering excess reward.

The emoluments payable to directors are determined with reference to the responsibilities, qualifications, experience and performance of the directors. They include incentive bonus primarily based on the results of the Group and share options granted under the share option schemes of the Company. The Remuneration Committee performs regular review on the emoluments of the directors. No director, or any of his associates and executives, is involved in deciding his/her own emolument.

The Group reviews its remuneration policy annually and engages professional consultant, if necessary, to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 30 June 2012, the Group had about 11,074 full-time employees (including those employed by controlled entities), and their remuneration is determined with reference to market rates. No individual employee shall have the right to determine his/her own remuneration.

In addition to the basic remuneration, the Group also attached much importance to the development of employees. For the six months ended 30 June 2012, the Group provided approximately 5,500 hours of training in aggregate for about 1,500 person-times (trainings held by subsidiaries excluded). The training courses covered areas such as industry development, leadership improvement, marketing management, operation and management, laws and regulations, lean management, project management, finance, logistics, human resources, information technology, safe production and general working skills. These training further improved the management skills and professional standard of the management of the Group and enhanced the overall quality of the employees to meet the requirements of the Group's rapid developments; hence, improving the competitiveness of the Group.

XIX. Other Major Event

According to the announcement of the Company dated 5 June 2012, a subsidiary of the Group, Sinochem Fertilizer Co., Ltd. ("Sinochem Fertilizer") entered into the share subscription and asset acquisition agreement with Yunnan Yuntianhua Co., Ltd. ("Yuntianhua") on 4 June 2012, pursuant to which Sinochem Fertilizer agreed to sell its 40% equity interests in Yunnan Three-Circle to Yuntianhua Company. As at the date of this report, the processes and approval procedures involved in this transaction are still in progress. The specific date of completion date is to be determined. When the disposal of 40% equity interest in Yunnan Three-Circle is completed, the Group will determine the amount of gain or loss derived from this transaction based on the actual consideration and the Group's share of net assets value of Yunnan Three-Circle as at the date of completion.

January 2012

◎ Sinochem Fertilizer Company Limited ("Sinochem Fertilizer"), the Group's subsidiary, entered into an agreement with Sichuan Lomon Corporation, to acquire 100% equity interests in Yunnan Xundian Lomon Phosphorus Chemical Co., Ltd., ("Xundian Lomon") obtaining 300 million tons of quality phosphate resource.

◎ Jointly with institutions including China Academy of Agricultural Sciences, the Group developed 5 major specialty fertilizers for rice, wheat, cotton, soy bean and corn, to boost agricultural yields and farmers' income through technological connotation.

February 2012

◎ The Group established "Elite Training College of Sinofert", to promote building the company into a learning organization.

◎ Jointly with International Plant Nutrition Institute and Hainan Academy of Agricultural Sciences, the Group hosted a 100-day campaign of "Sinofert's technology benefiting the farmers and promoting the spring growing, and Sinofert's agronomists disseminating knowledge on the field".

March 2012

◎ The Group releases its 2011 Annual Report.

◎ The Group and Sichuan Lomon Corporation completed the equity transfer of Xundian Lomon, and changed the company name to "Sinochem Yunlong Co., Ltd."

◎ The Group entered into import contracts of sea-borne potash of first half 2012 with Canpotex, APC and BPC respectively.

◎ The Group participated proactively in the pilot program of soil testing and formula fertilization in "one hundred counties, one thousand townships and ten thousands villages" promoted by the Ministry of Agriculture.

April 2012

◎ "Changshan" brand of Sinochem Changshan Chemical Co., Ltd., a subsidiary of the Group, was accredited as "China Famous Brand" by the State Administration for Industry and Commerce (SAIC).

May 2012

◎ Mr. Feng Zhi Bin, CEO of the Company, and the Sinofert's delegation attended the 80th International Fertilizer Industry Association (IFA) Annual Conference held in Qatar and Mr. Feng Zhi Bin was elected as the Chairman of the Production and International Trade Committee of IFA.

◎ The Group entered into a strategic agreement with the Ministry of Agriculture on jointly organizing the "Double-growth 200" technology campaign on corn in northeastern China, and the Group continued to build field schools for farmers.

June 2012

◎ The board of directors of the Company approved the energy-saving and consumption-reducing innovation and expansion project for urea production device of Sinochem Changshan Chemical Co., Ltd.

◎ Sinochem Fertilizer, a subsidiary of the Group, and Yunnan Yuntianhua Co., Ltd ("Yuntianhua") entered into an acquisition agreement of equity and asset, under which the Company shall transfer 40% shares in Yunnan Three-Circle Sinochem Fertilizer Co., Ltd. in exchange for the equivalent shares issued by Yuntianhua. The total consideration was about RMB425,135,000, which will be satisfied in full by the issue of consideration shares by Yuntianhua to Sinochem Fertilizer.

◎ The Group and Yangling Agricultural Hi-Tech Industries Demonstration Zone of the Shaanxi Province entered into a strategic cooperation agreement, to deepen cooperation in science and technology support, base construction and market operation, etc.

◎ Sinochem Chongqing Fuling Chemical Industry Co., Ltd, a subsidiary of the Group, was awarded one of the 15 petrochemical "Leading Benchmark Companies in Energy Efficiency" by the Ministry of Industry & Information and China Petroleum and Chemical Industry Federation.

Interim Review Report

Review Report to the Board of Directors
of Sinofert Holdings Limited
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 25 to 45 which comprises the condensed consolidated statement of financial position of Sinofert Holdings Limited as of 30 June 2012 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2012 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 August 2012

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012 – Unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2012	2011
	Note	**RMB'000**	RMB'000
Turnover	*3*	**22,536,745**	18,471,791
Cost of sales		**(21,067,693)**	(17,311,267)
Gross profit		**1,469,052**	1,160,524
Other revenue		**70,093**	66,831
Gain on deemed dilution of interests in an associate	*4*	**–**	341,029
Selling and distribution expenses		**(374,180)**	(334,872)
Administrative expenses		**(291,423)**	(225,042)
Other expenses and losses		**(144,071)**	(477,312)
Finance costs	*5*	**(214,075)**	(165,201)
Share of results of associates		**119,971**	145,843
Share of results of jointly controlled entities		**40,941**	45,831
Changes in fair value of derivative financial instruments		**–**	47,375
Profit before taxation	*6*	**676,308**	605,006
Income tax expenses	*7*	**(96,277)**	(98,942)
Profit for the period		**580,031**	506,064
Other comprehensive income/(expense)			
Exchange differences on translation of financial statements of overseas subsidiaries		**16,237**	(95,801)
Changes in fair value of available-for-sale investments		**(2,166)**	(52,912)
Reclassification adjustment for the cumulative loss included in profit or loss upon disposal of available-for-sale investments		**–**	6,746
Reclassification adjustment for the cumulative loss included in profit or loss upon impairment of available-for-sale investments		**–**	51,030
Income tax relating to components of other comprehensive income		**–**	(1,216)
Other comprehensive income/(expense) for the period, net of tax		**14,071**	(92,153)
Total comprehensive income for the period		**594,102**	413,911

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012 – Unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2012	2011
	Note	**RMB'000**	RMB'000
Profit for the period attributable to			
– Owners of the Company		**545,700**	496,385
– Non-controlling interests		**34,331**	9,679
		580,031	506,064
Total comprehensive income attributable to			
– Owners of the Company		**559,771**	404,232
– Non-controlling interests		**34,331**	9,679
		594,102	413,911
Earnings per share	*8*		
Basic (RMB)		**0.0777**	0.0707
Diluted (RMB)		**0.0777**	0.0654

The notes on pages 31 to 45 form part of this interim financial report. Details of dividends payable to owners of the Company are set out in note 16(a).

Condensed Consolidated Statement of Financial Position

At 30 June 2012 – Unaudited
(Expressed in Renminbi)

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Non-current assets			
Fixed assets	9		
– Property, plant and equipment		**5,205,699**	4,536,843
– Investment properties		**14,600**	14,600
		5,220,299	4,551,443
Prepaid lease payments		**676,651**	606,111
Mining right		**599,257**	–
Goodwill	10	**821,695**	289,017
Other long-term assets		**24,665**	32,600
Interests in associates		**7,874,134**	7,754,435
Interests in jointly controlled entities		**564,435**	718,877
Available-for-sale investments		**367,020**	173,367
Advance payments for acquisition of property, plant and equipment		**56,857**	40,376
Deferred tax assets		**701,655**	756,462
		16,906,668	14,922,688
Current assets			
Inventories		**6,999,431**	7,464,114
Trade and bills receivables	11	**2,677,055**	1,708,761
Other receivables and advance payments		**2,715,618**	2,330,679
Prepaid lease payments		**14,876**	13,380
Other deposits	12	**1,583,600**	1,649,088
Pledged bank deposits		**3,059**	7,435
Bank balances and cash		**384,991**	302,345
		14,378,630	13,475,802
Current liabilities			
Trade and bills payables	13	**5,926,722**	5,531,629
Other payables and receipt in advance	14	**4,837,915**	3,858,148
Interest-bearing borrowings – due within one year	15	**3,257,032**	2,349,358
Tax liabilities		**28,280**	9,487
		14,049,949	11,748,622
Net current assets		**328,681**	1,727,180
Total assets less current liabilities		**17,235,349**	16,649,868

Condensed Consolidated Statement of Financial Position

At 30 June 2012 – Unaudited
(Expressed in Renminbi)

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Non-current liabilities			
Interest-bearing borrowings – due after one year	15	**2,930,728**	3,072,008
Deferred income		**158,854**	149,937
Deferred tax liabilities		**275,171**	59,040
		3,364,753	3,280,985
NET ASSETS		**13,870,596**	13,368,883
CAPITAL AND RESERVES			
Issued equity	16(b)	**8,267,384**	8,264,318
Reserves		**5,233,799**	4,769,483
Equity attributable to owners of the Company		**13,501,183**	13,033,801
Non-controlling interests		**369,413**	335,082
TOTAL EQUITY		**13,870,596**	13,368,883

The notes on pages 31 to 45 form part of this interim financial report.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012 – Unaudited
(Expressed in Renminbi)

	Attributable to owners of the Company											
	Issued equity RMB'000	Merger reserve RMB'000 *(note a)*	Capital reserve RMB'000 *(note b)*	Statutory reserve RMB'000 *(note c)*	Investment revaluation reserve RMB'000	Share option reserve RMB'000	Other reserve RMB'000 *(note d)*	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
As at 1 January 2011	8,260,977	255,531	485,551	384,071	(3,648)	8,032	48,924	(531,830)	3,696,656	12,604,264	329,770	12,934,034
Profit for the period	–	–	–	–	–	–	–	–	496,385	496,385	9,679	506,064
Other comprehensive expense for the period	–	–	–	–	3,648	–	–	(95,801)	–	(92,153)	–	(92,153)
Total comprehensive income for the period	–	–	–	–	3,648	–	–	(95,801)	496,385	404,232	9,679	413,911
Lapse of share options	–	–	–	–	–	(335)	–	–	335	–	–	–
Exercise of share options	1,648	–	–	–	–	(352)	–	–	–	1,296	–	1,296
Maintenance and production fund *(note d)*	–	–	–	–	–	–	7,086	–	(7,086)	–	–	–
Dividends approved in respect of previous year	–	–	–	–	–	–	–	–	(64,812)	(64,812)	–	(64,812)
As at 30 June 2011	8,262,625	255,531	485,551	384,071	–	7,345	56,010	(627,631)	4,121,478	12,944,980	339,449	13,284,429
As at 1 January 2012	8,264,318	255,531	486,112	384,071	–	6,537	60,204	(729,965)	4,306,993	13,033,801	335,082	13,368,883
Profit for the period	–	–	–	–	–	–	–	–	545,700	545,700	34,331	580,031
Other comprehensive income for the period	–	–	–	–	(2,166)	–	–	16,237	–	14,071	–	14,071
Total comprehensive income for the period	–	–	–	–	(2,166)	–	–	16,237	545,700	559,771	34,331	594,102
Lapse of share options	–	–	–	–	–	(5,883)	–	–	5,883	–	–	–
Exercise of share options	3,066	–	–	–	–	(654)	–	–	–	2,412	–	2,412
Maintenance and production fund *(note d)*	–	–	–	–	–	–	41,360	–	(41,360)	–	–	–
Dividends approved in respect of previous year	–	–	–	–	–	–	–	–	(94,801)	(94,801)	–	(94,801)
As at 30 June 2012	8,267,384	255,531	486,112	384,071	(2,166)	–	101,564	(713,728)	4,722,415	13,501,183	369,413	13,870,596

Notes:

a. The merger reserve comprises of the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of shares issued by the holding companies as consideration for the group restructuring transactions in previous years.

b. The capital reserve of the Group mainly represents contributions from/distributions to the ultimate holding company, Sinochem Group.

c. Statutory reserve comprises of reserve fund and enterprise expansion fund. In accordance with relevant rules and regulations on foreign investment enterprise established in the People's Republic of China (the "PRC"), the Company's PRC subsidiaries are required to transfer a portion of their profit after income tax to the reserve fund, until the accumulated amount of the fund reaches 50% of their registered capital. The appropriation to the enterprise expansion fund is solely determined by the board of directors of the subsidiaries in the PRC. Reserve fund and enterprise expansion fund may be distributed to investors in the form of bonus issue.

d. Other reserve comprises of the fund received which can only be utilized for energy saving and emission reduction projects, and the maintenance and production fund appropriated/utilized in accordance with relevant PRC regulations on certain enterprises.

The notes on pages 31 to 45 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012 – Unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Net cash generated from operating activities	**862,660**	4,182,562
Net cash used in investing activities		
Purchase of property, plant and equipment	**(176,270)**	(84,243)
Additions of prepaid lease payments	**–**	(92,474)
Acquisition of a subsidiary	**(462,962)**	–
Acquisition of an available-for-sale investment	**–**	(4,000)
Acquisition of other long-term assets	**(2,742)**	(2,823)
Placement of other deposits	**(14,303,412)**	(16,240,500)
Proceeds from withdrawal of other deposits	**14,368,900**	13,372,600
Interest received	**12,314**	19,195
Proceeds from disposals of property, plant and equipment	**1,670**	17,503
Decrease in pledged bank deposits	**4,376**	17,631
Dividends received from an associate	**286**	–
Dividends received from a jointly controlled entity	**–**	10,153
Dividends received from an available-for-sale investment	**1,802**	1,502
	(556,038)	(2,985,456)
Net cash used in financing activities		
Proceeds from borrowings raised	**5,561,721**	4,290,329
Repayments of borrowings	**(5,546,604)**	(5,214,114)
Dividends paid	**(94,801)**	(64,812)
Interest paid	**(146,916)**	(82,596)
Proceeds from exercise of options	**2,412**	1,296
	(224,188)	(1,069,897)
Net increase in cash and cash equivalents	**82,434**	127,209
Cash and cash equivalents as at 1 January	**302,345**	223,317
Effect of foreign exchange rates changes	**212**	(525)
Cash and cash equivalents as at 30 June represented by bank balances and cash	**384,991**	350,001

The notes on pages 31 to 45 form part of this interim financial report.

1 Basis of preparation

This interim financial report of Sinofert Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorized for issuance on 23 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") set out in note 2. In addition, the Group adopted the unit-of-production method utilizing estimated reserves in the depletion base for the amortization of mining right due to the acquisition of a subsidiary in the reporting period.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2011 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by the Company's Audit Committee. The interim financial report has also been reviewed by the Company's auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 24 of the interim report.

The financial information relating to the financial year ended 31 December 2011 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2011 are available from the Company's registered office. The processor auditors, Deloitte Touche Tohmatsu, have expressed an unqualified opinion on those financial statements in their report dated 22 March 2012.

(Expressed in Renminbi unless otherwise indicated)

2 Changes in accounting policies

The HKICPA has issued a few amendments to HKFRSs, which are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKFRS 7, *Financial instruments: Disclosures* – Transfers of financial assets
- Amendments to HKAS 12, *Income taxes* – Deferred tax: Recovery of underlying assets

Up to the date of issue of the interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2012 and which have not been early adopted in the interim financial report. The amendments, new standards and interpretation which may be relevant to the Group are listed as below:

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of Financial Statements* *"Presentation of items of other comprehensive income"*	1 July 2012
Amendments to HKFRS 7, *Financial Instruments: Disclosures* *"Disclosures – Offsetting financial assets and financial liabilities"*	1 January 2013
HKFRS 10, *Consolidated Financial Statements*	1 January 2013
HKFRS 11, *Joint Arrangements*	1 January 2013
HKFRS 12, *Disclosure of Interests in Other Entities*	1 January 2013
HKFRS 13, *Fair Value Measurement*	1 January 2013
Revised HKAS 19, *Employee Benefits*	1 January 2013
HKAS 28, *Investments in Associates and Joint Ventures*	1 January 2013
HK(IFRIC) 20, *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
Annual Improvements to HKFRSs 2009-2011 Cycle	1 January 2013
Amendments to HKAS 32, *Financial Instruments: Presentation* *"Offsetting financial assets and financial liabilities"*	1 January 2014
HKFRS 9, *Financial Instruments*	1 January 2015

The Group had assessed the newly effective amendments, and these developments have had no material impact on the Group's financial statements. The Group is in the process of making an assessment of the impact on application of the amendments, new standards and interpretation, which have not been effective, on the Group's results of operations and financial position.

3 Segment reporting

The Group's operating segments based on information reported to the chief operating decision maker (the "CODM") for the purpose of resource allocation and performance assessment are as follows:

- Marketing: sourcing and distribution of fertilizers and agricultural related products
- Production: production and sales of fertilizers

The following is an analysis of the Group's revenue and profit by operating segments for the periods under review:

	Six months ended 30 June 2012			
	Marketing RMB'000	Production RMB'000	Elimination RMB'000	Total RMB'000
Revenue				
External revenue	19,241,347	3,295,398	–	22,536,745
Internal revenue	289,383	1,425,047	(1,714,430)	–
Segment revenue	19,530,730	4,720,445	(1,714,430)	22,536,745
Segment gross profit	871,235	597,817	–	1,469,052
Segment profit	409,293	303,892	–	713,185
Share of results of associates		119,971		119,971
Share of results of jointly controlled entities		40,941		40,941
Unallocated expenses				(32,034)
Unallocated income				48,320
Finance costs				(214,075)
Profit before taxation				676,308

3 Segment reporting (continued)

	Six months ended 30 June 2011			
	Marketing RMB'000	Production RMB'000	Elimination RMB'000	Total RMB'000
Revenue				
External revenue	15,736,858	2,734,933	–	18,471,791
Internal revenue	190,065	1,349,015	(1,539,080)	–
Segment revenue	15,926,923	4,083,948	(1,539,080)	18,471,791
Segment gross profit	791,704	368,820	–	1,160,524
Segment profit	424,377	119,792	–	544,169
Share of results of associates		145,843		145,843
Share of results of jointly controlled entities		45,831		45,831
Unallocated expenses				(63,830)
Unallocated income				50,819
Finance costs				(165,201)
Changes in fair value of derivative financial instruments				47,375
Profit before taxation				605,006

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without taking into account of unallocated expenses/income, finance costs and changes in fair value of derivative financial instruments. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment. In addition, the CODM also regularly review the segment information in relation to the share of results of associates and the share of results of jointly controlled entities.

4 Gain on deemed dilution of interests in an associate

During the period ended 30 June 2011, an associate of the Group, Qinghai Salt Lake Potash Co., Ltd. merged with Qinghai Salt Lake Industry Group Co., Ltd. (the "Merger"), and renamed as Qinghai Salt Lake Industry Co., Ltd. ("Salt Lake Industry"). The Group accounted for the reduction of equity interests in Salt Lake Industry resulted from the Merger as a deemed dilution in investment in an associate and recognized a gain of approximately RMB341,029,000 in the period ended 30 June 2011.

5 Finance costs

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Interests on borrowings		
– wholly repayable within five years	**150,152**	81,181
– not wholly repayable within five years	**64,252**	63,803
Less: interest expense capitalized	**(329)**	(1,357)
Interests on convertible loan notes	**–**	21,574
	214,075	165,201

Borrowing costs capitalized during the period on the general borrowing pool are calculated by applying a capitalization rate of 6.05% (corresponding period in 2011: 5.05%) per annum to expenditure on qualifying assets.

6 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Depreciation of property, plant and equipment	**211,648**	196,653
Amortization of prepaid lease payments	**17,000**	16,158
Amortization of mining right	**7,630**	–
Amortization of other long-term assets	**11,049**	7,367
Write-down of inventories	**111,612**	89,495
Deferred income released	**(5,282)**	(7,396)
Reversal of allowance provided for receivables	**(20)**	(17,404)
Loss on disposal of property, plant and equipment	**441**	1,249
Impairment losses, included in other expenses and losses		
– Property, plant and equipment	**–**	59,550
– Available-for-sale investments	**–**	51,030
– Goodwill	**–**	265,357

7 Income tax expenses

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Current tax – PRC Enterprise Income Tax	**25,563**	23,243
Current tax – Hong Kong Profits Tax	**1,651**	133
Deferred taxation	**69,063**	75,566
	96,277	98,942

7 Income tax expenses (continued)

(i) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2012.

(ii) The provision for the PRC Enterprise Income Tax is based on the statutory rate of 25% on the estimated taxable profits determined in accordance with the relevant income tax rules and regulations of the PRC for the six months ended 30 June 2012, except for certain subsidiaries of the Company which enjoy a preferential tax rate according to related tax policies.

(iii) A subsidiary of the Group incorporated in Macao Special Administrative Region is exempted from income tax.

8 Earnings per share

The calculation of basic and diluted earnings per share is as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic earnings per share	**545,700**	496,385
Effect of dilutive potential ordinary shares:		
– Interests on convertible loan notes	**–**	21,574
– Changes in fair value of derivative financial instruments	**–**	(47,375)
Earnings for the purpose of diluted earnings per share	**545,700**	470,584
	'000 shares	'000 shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,024,351**	7,021,492
Effect of dilutive potential ordinary shares from:		
– Share options	**36**	1,601
– Convertible loan notes	**–**	170,742
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**7,024,387**	7,193,835

9 Fixed assets

(a) Disposals

During the six months ended 30 June 2012, items of property, plant and equipment with a net book value of RMB2,111,000 were disposed of during the six months ended 30 June 2012 (the corresponding period in 2011: RMB18,752,000), resulting in a loss on disposal of RMB441,000 (the corresponding period in 2011: RMB1,249,000).

(b) Valuation

On 30 June 2012, the directors considered and estimated that the carrying amount of the Group's investment properties do not differ significantly from that which would be determined using fair value at the reporting date. Consequently, no fair value gain or loss has been recognized in the current period.

10 Goodwill

	Note	**At 30 June 2012 RMB'000**	At 31 December 2011 RMB'000
COST			
At 1 January		**554,374**	568,705
Acquisition through business combination	*17*	**531,074**	–
Exchange adjustments		**1,604**	(14,331)
At 30 June/31 December		**1,087,052**	554,374
IMPAIRMENT			
At 1 January		**(265,357)**	–
Impairment loss recognized		**–**	(265,357)
At 30 June/31 December		**(265,357)**	(265,357)
CARRYING AMOUNT			
At 30 June/31 December		**821,695**	289,017

10 Goodwill (continued)

For the purposes of impairment testing, goodwill has been allocated to the cash generating units ("CGUs") of the related segments as follows:

	Note	**At 30 June 2012 RMB'000**	At 31 December 2011 RMB'000
Marketing		**258,653**	257,225
Production			
– Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong")	*17*	**531,074**	–
– Others		**31,968**	31,792
		821,695	289,017

The recoverable amounts of these CGUs have been determined on the basis of value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rate and expected changes to revenue and direct costs used in the cash flow forecasts. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market. The directors of the Company estimate discount rates using pre-tax rates that reflect current market assessment of the time value of money and the risks specific relating to the CGUs. Cash flow forecasts of each CGU are derived from financial budgets of 2012 approved by the directors of the Company. The growth rates for the first 3 years from 2013 are based on the relevant CGUs past performance and management's expectation for the market development and for the following years are based on steady growth rates.

The value in use calculated is higher than the carrying amount for each CGU, accordingly, no impairment of goodwill was recognized for the period ended 30 June 2012 (for the corresponding period in 2011: RMB265,357,000).

11 Trade and bills receivables

The Group allows a credit period of approximate 90 days to its trade customers. As at the end of the reporting periods, the aging analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date is as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within 3 months	**2,241,724**	1,267,941
More than 3 months but within 6 months	**425,176**	438,766
More than 6 months but within 12 months	**9,420**	742
More than 12 months	**735**	1,312
Trade and bills receivables, net of allowance for doubtful debts	**2,677,055**	1,708,761

11 Trade and bills receivables (continued)

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. In the opinion of the management of the Group, receivables that are neither past due nor impaired have the best credit quality.

Included in the Group's trade receivables are debtors with aggregate carrying amount of RMB14,942,000 (as at 31 December 2011: RMB5,034,000) which are past due at the end of the reporting period for which the Group has not provided for allowance for doubtful debts as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

12 Other deposits

Other deposits represent principal-protected financial products issued by financial institutions in the PRC, which carried at fixed interest rates from 2.20% to 4.60% per annum. Among other deposits as at 30 June 2012, balances of approximately RMB913,500,000 (as at 31 December 2011: approximately RMB650,000,000) were restricted and can only be withdrawn until maturity. The directors of the Company consider the other deposits as a current asset since the maturity dates are all within one year at the end of the reporting period.

13 Trade and bills payables

As at the end of the reporting periods, the aging analysis of trade and bills payables presented based on the invoice date is as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within 3 months	**5,603,699**	4,824,863
More than 3 months but within 6 months	**220,929**	210,452
More than 6 months but within 12 months	**37,345**	392,660
More than 12 months	**64,749**	103,654
	5,926,722	5,531,629

14 Other payables and receipt in advance

Among the other payables and receipt in advance, there is consideration payable in the amount of RMB880,000,000 arising from the purchase of Sinochem Yunlong in the six months ended 30 June 2012. The total consideration is RMB1,380,000,000, out of which RMB500,000,000 had been paid. The remaining RMB880,000,000 would be paid once the payment conditions have been met as set out in the share purchase agreement.

15 Interest-bearing borrowings

As at 30 June 2012, the Group's available unutilized banking facilities were approximately RMB30,032,104,000 (As at 30 June 2011: approximately RMB35,249,780,000).

16 Capital, reserves and dividends

(a) Dividends

The Board of Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (the corresponding period in 2011: nil).

During the six months ended 30 June 2012, the final dividend for the year ended 31 December 2011 of approximately RMB94,801,000 (the corresponding period in 2011: approximately RMB64,812,000) at HK$0.0166 (approximately RMB0.0135) (the corresponding period in 2011: HK$0.0110 (approximately RMB0.0091)) per share has been paid.

(b) The movements in issued equity of the Group:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
At 1 January	**8,264,318**	8,260,977
Issue of new shares (par value of HK$0.10 each):		
– Exercise of share options *(note)*	**3,066**	1,648
At 30 June	**8,267,384**	8,262,625

Note: During the current interim period, share option holders exercised options with grant-date fair value of approximately HK$804,000 (approximately RMB654,000) (the corresponding period in 2011: HK$420,000 (approximately RMB352,000)) and the new shares issued were included in the Company's issued equity.

17 Acquisition of a subsidiary

The Group entered into a share purchase agreement with Sichuan Lomon Corporation and Tibet Longsheng Investment Management Co., Ltd. on 8 January 2012 in relation to the acquisition of the entire 100% equity interests of Xundian Lomon Phosphorus Chemical Co., Ltd. ("Xundian Lomon") (the "Acquisition"). The Acquisition was completed on 19 March 2012. Xundian Lomon was renamed as Sinochem Yunlong.

The Acquisition will be of strategic significance to the Group as it will enable the Group to own the phosphate resource and to further explore such resources in the south-western China.

For the period from 19 March 2012 to 30 June 2012, Sinochem Yunlong contributed revenue of RMB214,717,000 and profit of RMB34,555,000 to the Group's results.

17 Acquisition of a subsidiary (continued)

The consideration for the Acquisition is RMB1,380 million.

Identifiable assets acquired and liabilities assumed as at 19 March 2012:

	Carrying value RMB'000	Fair value adjustments RMB'000	Fair value RMB'000
Property, plant and equipment	461,211	235,327	696,538
Prepaid lease payments	16,640	72,396	89,036
Mining right	25,625	581,262	606,887
Other non-current assets	21,286	–	21,286
Inventories	180,063	854	180,917
Bank balances and cash	37,038	–	37,038
Other current assets	25,873	–	25,873
Current liabilities	(582,448)	–	(582,448)
Deferred tax liabilities	(661)	(218,540)	(219,201)
Other non-current liabilities	(7,000)	–	(7,000)
Total identifiable net assets	177,627	671,299	848,926

The fair value of net identifiable assets of Sinochem Yunlong is determined based on the valuation carried out by a qualified independent valuer, China United Assets Appraisal Group Co., Ltd.. Goodwill was recognized as a result of the Acquisition as follows:

	19 March 2012 RMB'000
Total consideration	1,380,000
Fair value of identifiable net assets	(848,926)
Goodwill recognized	531,074

None of the goodwill recognized is expected to be deductible for tax purpose.

18 Commitments

(a) Capital commitments

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Contracted for	23,190	19,085
Authorized but not contracted for	1,644,236	2,095,810
	1,667,426	2,114,895

(b) Operating lease commitments

As at the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are payables as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within 1 year	40,340	77,688
More than 1 year but within 5 years	46,717	17,920
More than 5 years	6,370	4,680
	93,427	100,288

19 Related party transactions

(a) Transactions with related parties

During the reporting period, the Group has entered into the following material transactions with related parties except for those disclosed in other notes:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Sales of fertilizers to		
Ultimate holding company	**27,548**	–
Jointly controlled entities	**250,595**	9,867
Associate	**950**	1,026
	279,093	10,893
Purchases of fertilizers from		
Ultimate holding company	**134,019**	213,046
Jointly controlled entities	**599,571**	476,642
Associate	**213,400**	320,128
A subsidiary of a shareholder with significant influence over the Company	**6,236**	2,376
	953,226	1,012,192
Import service fee paid to		
Fellow subsidiary	**8,842**	6,614
Ultimate holding company	**1,473**	1,708
	10,315	8,322
Office rental fee paid to		
Fellow subsidiaries	**10,911**	11,736

19 Related party transactions (continued)

(b) Balances with related parties

As at the end of the reporting period, the Group had the following material balances with its related parties:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Trade payables		
Sinochem Group	2,427,424	2,404,307
Yunnan Three-Circle Sinochem Fertilizer Co., Ltd. ("Yunnan Three-Circle")	–	52,372
PCS Sales (USA) Inc.	6,248	421
	2,433,672	2,457,100
Advance payments to suppliers		
Gansu Wengfu Chemical Co., Ltd.	7,578	26,604
Yunnan Three Circle-Sinochem-Mosaic Fertilizer Co., Ltd.	46	7,587
Yunnan Three-Circle	56,767	–
Salt Lake Industry	1,928	3,580
Guizhou Xinxin Industrial and Agricultural Trading Co., Ltd.	–	44,851
	66,319	82,622
Other receivables		
Beijing Chemsunny Property Co., Ltd.	4,273	4,273
Sinochem Group	1,315	1,609
	5,588	5,882
Other payables		
Sinochem Group	–	2,475
Sinochem (United Kingdom) Limited	4,783	–
	4,783	2,475
Borrowings		
Sinochem Hong Kong (Group) Company Limited	–	1,234,976

19 Related party transactions (continued)

(c) Transactions with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under Sinochem Group which is controlled by the PRC government. Apart from the transactions with Sinochem Group and fellow subsidiaries and other related parties as disclosed above, the Group also conducts business with other state-controlled entities. The directors of the Company consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

During the reporting period, the Group had the following significant transactions with other state-controlled entities:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Sales of fertilizers	**2,202,464**	1,637,802
Purchases of fertilizers	**3,231,732**	1,582,582

(d) Compensation of key management personnel

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Salaries and other benefits	**3,647**	3,583
Retirement benefit scheme contributions	**83**	86
Fees	**605**	772
	4,335	4,441

20 Other matters

In the reporting period, a subsidiary of the Group, Sinochem Fertilizer Co., Ltd. ("Sinochem Fertilizer"), entered into the share subscription and asset acquisition agreement with Yunnan Yuntianhua Co., Ltd. ("Yuntianhua") on 4 June 2012, pursuant to which Sinochem Fertilizer agreed to sell its 40% equity interests in Yunnan Three-Circle to Yuntianhua. As at the date of this report, the processes and approval procedures involved in this transaction are still in progress. The specific date of completion is to be determined.

21 Comparative figures

Certain comparative figures in disclosure have been adjusted to conform to current period's presentation.

Additional Information

Interim Dividend

The board of directors of the Company (the "Board") did not recommend the declaration of interim dividend for the six months ended 30 June 2012.

Directors' Interests in Shares and Underlying Shares of the Company

As at 30 June 2012, the interests of the directors and chief executives in the shares, share options, underlying shares and debt securities of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

As at 30 June 2012, a director of the Company had long position in the ordinary shares of HK$0.1 each of the Company as follows:

Name of director	Capacity	Number of issued ordinary shares held
Harry Yang	Beneficial owner	600

Save as disclosed above, as at 30 June 2012, none of the directors or chief executives of the Company had any interests or short positions in any shares, share options, underlying shares or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register maintained by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities of, the Company or any other body corporate, and neither the directors nor chief executives of the Company, nor any of their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights during the period.

Substantial Shareholders

As at 30 June 2012, other than the directors or chief executives of the Company, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that, the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company:

Name of shareholder	Number of issued ordinary shares held – long position	Percentage of the issued share capital of the Company
Sinochem Group *(Note a)*	3,698,660,874	52.65%
Sinochem Corporation *(Note a)*	3,698,660,874	52.65%
Sinochem Hong Kong (Group) Company Limited (“Sinochem HK”) *(Note b)*	3,698,660,874	52.65%
Potash Corporation of Saskatchewan Inc. (“PotashCorp”) *(Note c)*	1,563,312,141	22.26%

Notes:

a. Sinochem HK is the wholly-owned subsidiary of Sinochem Corporation (中國中化股份有限公司). Sinochem Corporation is the 98% owned subsidiary of Sinochem Group (中國中化集團公司). Accordingly, Sinochem Group and Sinochem Corporation are deemed to be interested in 3,698,660,874 ordinary shares of the Company, being the corporate interest beneficially held by Sinochem HK.

b. Sinochem HK is beneficially interested in 3,698,660,874 ordinary shares of the Company.

c. These shares represent the corporate interest of PotashCorp held through its wholly-owned subsidiary, PCS (Barbados) Investment Company Limited.

Save as disclosed above, other than the directors or chief executives of the Company, the Company has not been notified of any other relevant interests or short positions held by any other person in the issued share capital of the Company as at 30 June 2012.

Share Options of the Company

The Company has adopted share option schemes to provide incentives to directors, eligible employees and other eligible participants. On 28 June 2007, the Company had passed a resolution at a shareholders' meeting for the adoption of a new share option scheme (the “New Share Option Scheme”) and the termination of the then existing share option scheme adopted on 26 August 2002 (the “Old Share Option Scheme”). Outstanding share options granted prior to such termination shall continue to be valid and, subject to the vesting schedule, exercisable in accordance with the Old Share Option Scheme.

On 23 January 2012, all outstanding share options under the Old Share Option Scheme were expired and therefore were lapsed in accordance with the Old Share Option Scheme. On 14 June 2012, the Company had passed a resolution at a shareholders' meeting for the cancellation of all outstanding share options granted under the New Share Option Scheme. Reasons for the cancellation and effect on the Company were set out in the circular of the Company dated 15 May 2012. The New Share Option Scheme continues to be valid after the said cancellation of outstanding share options.

Particulars of the abovementioned share option schemes were detailed in the notes to the consolidated financial statements of the Company for the year ended 31 December 2011 as set out in the Company's 2011 annual report.

The following tables show the movements in the Company's share options granted to directors, employees and other eligible participants under both the Old Share Option Scheme and the New Share Option Scheme during the six months ended 30 June 2012:

Old Share Option Scheme

				Number of share options			
Grantees	**Date of grant**	**Exercisable period**	**Exercise price**	**Outstanding at 1 January 2012**	**Exercised during the period**	**Lapsed during the period**	**Outstanding at 30 June 2012**
		(Note a)	*HK$*		*(Note b)*		
Directors							
Liu De Shu	23 January 2006	23 January 2008 – 22 January 2012	1.672	1,900	–	(1,900)	–
Harry Yang	23 January 2006	23 January 2008 – 22 January 2012	1.672	600	–	(600)	–
Employees							
Employees	23 January 2006	23 January 2008 – 22 January 2012	1.672	2,103,000	(1,769,600)	(333,400)	–
				2,105,500	(1,769,600)	(335,900)	–

Notes:

a. Two-thirds of the total number of share options granted to each director, employee and eligible participant on 23 January 2006 were exercisable on or after 23 January 2008 and the remaining balance of share options granted were exercisable on or after 23 January 2009. All unexercised share options were expired on 23 January 2012.

b. The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised during the period was HK$2.21.

c. No share options under the Old Share Option Scheme were granted or cancelled during the period.

New Share Option Scheme

Grantees	Date of grant	Exercisable period	Exercise price	Number of share options: Outstanding at 1 January 2012	Lapsed during the period	Cancelled during the period	Outstanding at 30 June 2012
		(Note d)	*HK$*			*(Note e)*	
Directors							
Liu De Shu	28 August 2007	28 August 2009 – 27 August 2013	4.990	210,000	–	(210,000)	–
Harry Yang	28 August 2007	28 August 2009 – 27 August 2013	4.990	210,000	–	(210,000)	–
Employees							
Employees	28 August 2007	28 August 2009 – 27 August 2013	4.990	1,772,728	(45,000)	(1,727,728)	–
Other eligible participants							
Former directors *(Note g)*	28 August 2007	28 August 2009 – 27 August 2013	4.990	338,000	–	(338,000)	–
				2,530,728	(45,000)	(2,485,728)	–

Additional Information

Notes:

d. The exercisable period of the share options granted to each director, employee and eligible participant can be analyzed as:

   i) 33.3% of the share options granted were exercisable on or after 28 August 2009;

   ii) 16.7% of the share options granted were exercisable on or after 28 August 2010; and

   iii) a further 25% of the share options granted were exercisable on or after 28 August 2010, and the remaining 25% of the share options granted were exercisable on or after 28 August 2011, provided that the total accumulated basic earnings per share of the Company for the three consecutive fiscal years ended 31 December 2009 was more than HK$0.674. Since the total accumulated basic earnings per share of the Company for the three consecutive fiscal years ended 31 December 2009 was less than HK$0.674, 50% of the share options granted had been forfeited on 28 August 2010.

   According to the New Share Option Scheme, all unexercised share options will expire on 28 August 2013.

e. On 14 June 2012, upon approval by shareholders in the annual general meeting of the Company, 2,485,728 outstanding share options were cancelled.

f. No share options under the New Share Option Scheme were granted or exercised during the period.

g. Former directors are Mr. Song Yu Qing and Mr. Du Ke Ping, who resigned as directors of the Company effective on 16 November 2009 and 15 July 2010 respectively.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of conduct regarding securities transaction by directors. Having made specific enquiry of all directors of the Company, all directors confirmed through a confirmation that they had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2012.

The Company has also adopted written guidelines on no less exacting terms than the Model Code for relevant employees. No incident of non-compliance of the employees' written guidelines by relevant employees was noted by the Company during the period.

Corporate Governance Standards

Recognizing the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, the Company is committed to maintaining a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practice on corporate governance. On 22 March 2012, the Company has established Corporate Governance Committee with its written terms of reference, overseeing the corporate governance functions of the Group and ensuring the compliance with the Corporate Governance Code (effective from 1 April 2012) set out in Appendix 14 of the Listing Rules and pursuing a higher standard of its corporate governance.

The Company has complied with the applicable code provisions in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2012 and up to the date of this report, except for the deviations from the code provisions A.6.7 and E.1.2 as described below.

The code provision A.6.7 stipulates that, among others, the non-executive directors should attend general meetings of the listed issuer. Mr. Liu De Shu, Mr. Yang Lin, Dr. Stephen Francis Dowdle and Ms. Xiang Dandan, the non-executive directors of the Company, were unable to attend the annual general meeting of the Company held on 14 June 2012 ("2012 AGM") due to other essential business engagements.

Apart from the above, the Company had also deviated from code provision E.1.2. The code provision E.1.2 provides that, among others, the chairman of the board should attend the annual general meeting of the listed issuer. In the 2012 AGM, Mr. Liu De Shu, Chairman of the Board, did not chair the meeting due to other essential business engagements. In order to ensure smooth holding of the 2012 AGM, the Chairman of the Board authorized and the directors attended the meeting elected Mr. Feng Zhi Bin, the executive director and Chief Executive Officer of the Company, to chair the meeting on behalf of the Chairman of the Board. Respective chairmen of the audit, remuneration and nomination committees of the Company were present at the 2012 AGM and were available to answer relevant questions, which was in compliance with other part of code provision E.1.2.

Save as disclosed above, please refer to the "Corporate Governance Report" contained in the Company's 2011 annual report for more information about the corporate governance of the Company.

Audit Committee

The audit committee of the Company has reviewed with management and the external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters of the Group, including the review of the condensed consolidated financial statements of the Company for the six months ended 30 June 2012.

Additional Information

Board of Directors

As at the date of this report, the executive directors of the Company are Mr. Feng Zhi Bin (Chief Executive Officer) and Mr. Harry Yang; the non-executive directors of the Company are Mr. Liu De Shu (Chairman), Mr. Yang Lin, Dr. Stephen Francis Dowdle and Ms. Xiang Dandan; and the independent non-executive directors of the Company are Mr. Ko Ming Tung, Edward, Dr. Tang Tin Sek and Mr. Tse Hau Yin, Aloysius.

For and on behalf of the Board

Liu De Shu
Chairman of the Board

Hong Kong, 23 August 2012