中化化肥控股有限公司

SINOFERT HOLDINGS LIMITED

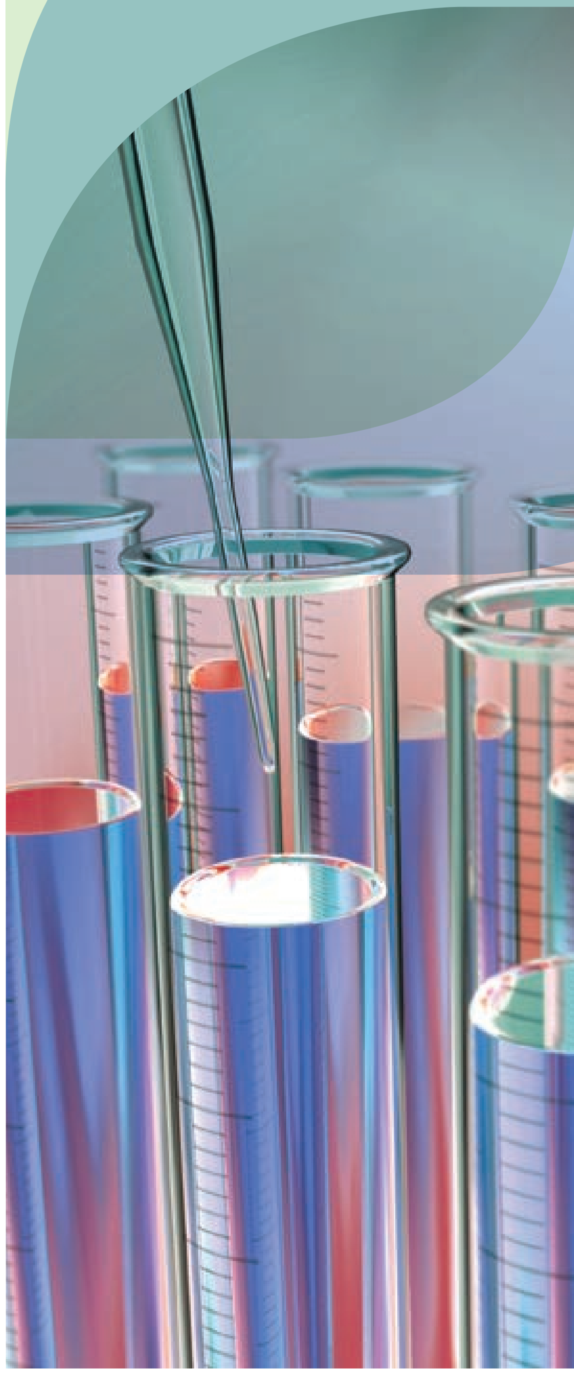
(Incorporated in Bermuda with limited liability)

Stock Code: 297

INTERIM REPORT 2013

NURTURING CHINA'S

AGRICULTURE SECTOR

NURTURING CHINA'S
AGRICULTURE SECTOR

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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
Mr. FENG Zhi Bin *(Chairman)*
Mr. Harry YANG
Ms. CHEUNG Kar Mun, Cindy
Ms. DONG Jiao Jiao *(appointed on 28 February 2013)*

Chief Financial Officer
Mr. GAO Jian

Qualified Accountant
Ms. CHEUNG Kar Mun, Cindy

Company Secretary
Ms. CHEUNG Kar Mun, Cindy

Auditors
KPMG

Legal Adviser
Latham & Watkins LLP

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Bank of China
Bank of Tokyo-Mitsubishi
China Construction Bank
China Merchants Bank
Industrial and Commercial Bank of China
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Share Listing
The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
Stock Code: 297

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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 2013.

In the first half of 2013, the growth of China's economy started to slow down, the deep-rooted contradictions accumulated over the years became prominent in the fertilizer industry, the market continued to be sluggish and the whole industry ran into difficulties. Facing such background, the Group persisted in promoting the seven strategies, insisted on "taking every crisis as an opportunity", stayed poised, strengthened market analysis and established the operation principle of "earning more income and cutting down expense, reducing cost and improving efficiency as well as strictly controlling risks". The total sales volume in the first half of 2013 was 9.14 million tons, up by 1.06% compared to the corresponding period in 2012; the Group's sales revenue was RMB20.58 billion, down by 8.68% compared to the corresponding period in 2012; the profit attributable to shareholders was RMB352 million, down by 35.53% compared to the corresponding period in 2012. Operation quality indicators including the cost-to-income ratio, cash flow from operating activities, current assets turnover ratio and capital structure kept in good condition, and various risk indicators reached requirements for the conservatism rating. At the same time, the Group's operating capability was consolidated and enhanced, and the strategic partnership with international suppliers maintained further stabilized.

In the second half of 2013, the prospect of the world economy is faced with large uncertainties, the oversupply situation will continue to intensify and major changes are also brewing up in the fertilizer industry; the foundation for steady economic progress is still not solid and the momentum for endogenous growth still needs to be strengthened against the background of Stabilizing Economic Growth and Adjusting Economic Structure. However, under such circumstances, the Chinese government continues to strengthen its support for agriculture and there are growth opportunities in the development of modern agriculture, the reform of agricultural production mode and the urgent outstanding problems of food security and soil pollution, etc..

Chairman's Statement

Confronted with a complex market environment, the Group will strictly control the operation risks, pay close attention to the current operation 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 seven major strategies of "Marketing, Production, Resource, Science and Technology, Information, Human Resource and HSE", and foster its core competitiveness for the future so as to build a solid foundation for the Group's sustainable development in the long run. The Group will continue to carry forward the customer-oriented marketing strategy with the focus on the integrated operation of compound fertilizers at the present stage; to insist on promoting the production development strategy for advanced manufacturing through its subsidiaries' fundamental management improvement, technological upgrading, cost reduction and efficiency improvement as well as safety production; to promote its resource acquisition strategy with a global vision through actively seeking opportunities against the background of excessive production capacity and the sluggish market; to carry forward its scientific and technological innovation strategy to support the production by grasping opportunities created by modern agriculture and energy saving and environmental protection, and embark on a road of intensive development with technological upgrading and scientific and technical innovation; to push forward the information assurance strategy to lead the transformation by improving the professional management level through informatization; to strengthen its human resource strategy as an engine for development by introducing talents and building teams and promoting the building of leadership and organizational atmosphere under the principle of "specialization, flattening and integration"; and to promote the HSE strategy to guarantee safety production by ensuring safety with an iron hand and improving the HSE management system.

As required by the reform of China's agricultural development mode and energy saving and environment protection, 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 supplier for agricultural inputs and agrochemical services", continue to follow its responsibility concept of "Serving Agriculture, Farmers, and the Countryside, Strengthening Agriculture and Benefiting Farmers", endeavour to create a management and control mode tailored to the Group and be committed to creating values for the shareholders, the clients, the society and its employees.

Finally, on behalf of the Board of Directors, I would like to take this opportunity to extend our heartfelt appreciations to all the shareholders and clients of the Company. We hope to have your continuous attention and support in our future development. The Group's management and employees will bear in mind the concept of "creating values and pursuing excellence" and continue to make great contributions to the development of the Group.

Liu De Shu
Chairman of the Board

Hong Kong, 22 August 2013

Management Review and Prospect

In the first half of 2013, international political and economic environment was complex and fast-changing, and the recovery of global economy remained weak, among which the economy of the United States improved slightly, the economy of Eurozone was still in recession, the growth rate of emerging economies kept declining, and meanwhile, the growth rate of China's economy continued to slow down along with the sluggish real economy.

In the first half of 2013, global population continued to grow steadily and the supply and demand of food was still in tight balance. Although the output of China's summer grains kept increasing for ten consecutive years, there was still great pressure for China to secure the food safety. For China, the fundamental way to secure food safety is to promote agricultural modernization and to improve the production capacity of food, among which the fertilizer industry would play a vital role. In addition, agricultural issues were among the top priorities of Chinese government. In 2013, the Central No. 1 Document continued to focus on agricultural issues especially the innovation of agricultural operation mechanism, and it is required to take all measures to rationalize agricultural operation mechanism, to foster new type of agricultural operation entities, to boost the increase of agricultural output and farmers' income, and to promote the transformation of growth pattern of agriculture, which brings opportunities for the development of the fertilizer industry.

In the first half of 2013, the competition in the fertilizer industry was even fiercer. The growth rate of aggregate fertilizer demand around the world was slowing down, while the production capacity of total fertilizers was still increasing rapidly, which made it worse for the existing oversupplied fertilizer industry. As the largest fertilizer producer and consumer in the world, China suffered from the continuous oversupply of fertilizers except potash. Under the current situation of fertilizer oversupply, the preferential policies for the fertilizer industry were tightening constantly, constraints from environmental protection and resources were continuously intensifying, and the fertilizer market kept sluggish almost for the entire first half of this year, all of which had brought significant pressure to the operation of fertilizer enterprises.

Faced with the complex market environment, under the leadership of the Group's Board of Directors, and along with the objective of improving the core competitiveness, the Group deeply promoted its seven strategies of "Marketing, Production, Resource, Science and Technology, Information, Human Resource and HSE", and continued with innovation in marketing, technology and management, which helped the Group to realize the sustainable development under the downward market.

Financial Highlights

For the six months ended 30 June 2013, the Group's sales volume reached 9.14 million tons, up by 1.06% compared to the corresponding period in 2012, turnover reached RMB20.58 billion, down by 8.68% compared to the corresponding period in 2012, and profit attributable to shareholders of the Company reached RMB352 million, down by 35.53% compared to the corresponding period in 2012.

Resource Security

Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong"), a subsidiary of the Group, is a large manufacturing enterprise with integrated phosphate rock mining, beneficiation, and production and sales of phosphate products. At present, Sinochem Yunlong owns 300 million tons of high quality phosphate rock with the annual production capacity of 600,000 tons of phosphate rock and 300,000 tons of high-quality feed grade phosphate. In the first half of 2013, Sinochem Yunlong has taken as many measures as possible to promote the construction of the mines and increase the resource reserves under the existing mineral rights. In the first half of 2013, Mozushao zone produced the phosphate rock of 295,700 tons, exceeding the target by more than 20,000 tons; and the pre-procedures for the construction and mining of Dawan zone were progressed in accordance with the plan, with the feasibility study report being completed. Meanwhile, the Group has also conducted technology research and development on phosphate rock, with the completion of the beneficiation experiment on low grade rock of Mozushao zone in the first half of 2013.

After more than one year's operation, the benefits of strategic asset from Sinochem Yunlong further emerged, which laid the foundation for the Group to integrate the industrial chain of phosphate fertilizer and phosphate chemicals, and provided abundant experience to constantly promote the strategy of resource acquisition.

Production Business

In the first half of 2013, the Group complied with the development trend of "12th Five-Year" Plan, and constantly promoted the upgrading of technology to improve its competitiveness according to the development philosophy of advanced manufacture.

In the first half of 2013, the Group has actively promoted the projects of energy-saving and emission-reduction, technology upgrading, and safety improving in order to improve the technology level and competitiveness of manufacturing subsidiaries, including the energy-saving renovation project of 300,000 tons of sulphuric acid of Sinochem Chongqing Fuling Chemicals Co., Ltd. ("Sinochem Fuling"), the project of 300,000 tons of wet processed dilute phosphoric acid of Sinochem Fuling, the project of 240,000 tons sulphur-strengthened DAP of Sinochem Fuling, the project of new added 2 × 2500 m^3 sulphuric acid storage tanks of Sinochem Yunlong, and the technology renovation project of phosphoric acid purifying equipment of Sinochem Yunlong. Meanwhile, the Group promoted the benchmarking management system, quality management system, and performance evaluation system in all manufacturing subsidiaries in order to guide the manufacturing subsidiaries to further lower the production consumption level and improve the product quality. Among which, total coal consumption for each ton of urea of Sinochem Jilin Changshan Chemicals Co., Ltd. ("Sinochem Changshan") from January to June dropped by 1.9%, and total electricity consumption for each ton of urea declined by 2.0% compared to the corresponding period in 2012. In addition, the Group continued to conduct specialized activities in manufacturing subsidiaries to track the operational status of key enterprises, coordinate to solve the equipment failure problems, reduce the defects of the equipment, and finally improve the stability of production.

In the first half of 2013, the total production capacity of the Group exceeded 10 million tons, among which Sinochem Changshan, a subsidiary of the Group, owns the annual production capacity of 500,000 tons of fertilizers and realized the output of 208,700 tons of nitrogen and others. The renovation project of energy-saving and consumption-reduction for urea production equipment of Sinochem Changshan with total investment of RMB1.198 billion was promoted steadily as scheduled, and some civil construction was already completed. Upon the completion of the project, annual production capacity of synthesis ammonia and urea of Sinochem Changshan would increase to 360,000 tons and 600,000 tons respectively.

With the annual production capacity of 1.5 million tons of fertilizer, Sinochem Fuling, a subsidiary of the Group, reached the output of 761,200 tons of phosphate, compound fertilizer and others in the first half of 2013, while the output of other controlling compound fertilizer enterprises reached 307,200 tons. Under the situation of high raw material prices, Sinochem Fuling stuck to the low-cost manufacture, and strengthened the cooperation and synergy with the marketing network of the Group.

Marketing Business

The Group firmly stuck to the existing operational strategies, and constantly strengthened the construction of marketing ability and exploration of clients at the grass roots level. In the first half of 2013, the Group realized sales volume of 9.14 million tons, up by 1.06% compared to the corresponding period in 2012, which consolidated the Group's market status as the largest fertilizer distributor and service provider in China.

Potash Operation: In the first half of 2013, the Group realized sales volume of 1.64 million tons. Through grabbing the opportunity, the Group successfully concluded the joint negotiation for potash import in the first half of 2013 with a competitive price, which further consolidated the strategic cooperation with international suppliers, and secured the lowest price for imported potash in the world. Through capturing the demand of clients closely, the Group continuously maintained good cooperation with more than 500 core clients nationwide, deeply intensified the value of differential services, actively improved the quality of operation, and consolidated the leading status in potash market. Meanwhile, the Group constantly deepened the transformation of business by building the pattern of channel marketing for agricultural potash.

Nitrogen Operation: In the first half of 2013, the Group maintained the overall scale for the operation of nitrogen with sales volume of 4.11 million tons and kept the leading market share in China. At the beginning of 2013, the Group signed annual strategic cooperation agreements with core suppliers which intensified the relationship of strategic cooperation, and successfully completed the procurement of strategic stockpile. Meanwhile, the Group insisted to be customer-oriented in business operation and actively adjusted the structure of the products through introducing high-tech UAN and alginate urea with good market prospect, which realized the UAN import in bulk for the first time in China.

Phosphate Operation: In the first half of 2013, the Group realized sales volume of 1.89 million tons. The Group intensified the philosophy of strategic procurement with the procurement volume from 9 core suppliers increasing significantly, thus improving the market status of the Group and reducing the risk of procurement. The Group also actively adjusted the marketing pattern with proportions of direct selling upon arrival, receipts in advance, and direct selling to big clients increasing significantly, thus ensuring the phosphate operation developing steadily.

Compound Fertilizer Operation: In the first half of 2013, compound fertilizer realized sales volume of 1.17 million tons. The Department of Compound Fertilizer Business was established with improved functions and duties as well as professional staff. The Group actively pushed forward the pilot transformation of marketing, and constantly conducted a series of promotion activities in Shandong and Henan, including agricultural services and end-user promotions through building fundamental marketing capabilities and carrying out deepening marketing operations, which strengthened the control of channels. Besides, the Group also implemented the integrated operational management through combining the manufacturing subsidiaries and nearby sales regions, which improved the operational efficiency and laid the foundation for the regional integration strategy of research, production, and sales.

Feed Grade Phosphate Operation: In the first half of 2013, the Group realized sales volume of 100,000 tons. Based on the transportation advantage to the near ocean market, as well as advantages on quality and comprehensive cost, DCP was mainly sold to the near ocean market, and the far ocean market was also expanded. Based on the quality and technology advantages as well as the domestic big clients, MCP has met the demand of domestic clients quite well.

In the first half of 2013, the Group maintained over 2,000 distribution centers, and continued to upgrade the existing distribution network in order to improve their profitability. With regard to the development of distribution network, the Group paid more attention to its sustainable development, actively explored the new pattern of channel to provide services of direct selling, soil testing, formulated fertilization, field demonstration, and field guidance and so on, and actively cooperated with regional agricultural sectors in order to secure the service providing ability. Through constant consolidation of client management, the operation with grass roots level clients experienced a steady growth. Meanwhile, the Group constantly improved the ability in logistics and capacity in storage through promoting the logistics projects in key logistics places such as Linyi and Shijiazhuang. In addition, the Group actively constructed the talent team for distribution network, and built a professional team with high recognition of corporate culture and team work, as well as strong capability for learning and innovation .

Internal Control and Management

The Group attaches great importance to internal control and risk management. Apart from the special committees of the Board, the Group also set up seven special management committees including risk and internal control management committees, 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.

The Group's internal control and risk management systems were operated under the "Internal Control 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 five PRC Ministries. In the first half of 2013, the Group conducted comprehensive evaluation work on internal control and risk management with the headquarter, distribution network, manufacturing subsidiaries, and overseas subsidiaries actively involved, and reviewed the elements of internal control and key points of risks and controls, in order to effectively deal with the changes in the operation environment at home and aboard, to support the strategic transformation of the Group, to secure the interests of shareholders, safety of assets and implementation of strategies, and meanwhile to meet the compliance requirements of regulatory institutions at home and abroad.

Corporate Social Responsibility

The Group actively exerted the influence on the industry, consolidated its leading role in the industry, made every effort to become an environment friendly enterprise with an aim to improve technology to save resources, and to secure the national agriculture safety.

The Group constantly promoted the agrochemical service system with its main contents including agrochemical knowledge transmission system, onsite service guiding system, and soil testing and formulated fertilization serving system, in order to push forward the scientific application of agricultural inputs and help increase the yield of crops and income of farmers.

The Group always adheres to the corporate mission of "Serving Agriculture, Farmers, and the Countryside, Strengthening Agriculture and Benefitting Farmers", by means of a self-built distribution network spreading over the major agricultural provinces and counties, the Group cooperated with the Ministry of Agriculture and focused on the promotion of social public welfare with the end-users as the target, through measures including soil testing, farmers field schools, "Double-growth 200" for corn in northeastern area, etc.. In the first half of 2013, 1,513 basic-level agrochemical service lectures were constantly held, 46 farmers field schools were built, and over 453 onsite technique guiding activities were conducted. The activity of "Sinochem King Corn Campaign" was co-sponsored with the Ministry of Agriculture, and 32 demonstration counties were chosen to establish over 92 demonstration villages in order to support the "Double-growth 200" for corn technology campaign in three northeastern provinces and Inner Mongolia. At the same time, 30,000 copies of "Technological Booklets for High-yield Corn" were co-published with the Ministry of Agriculture, 60,000 corn high-yield technology posters for the purposes of basic-level training. Promotion cooperation with three northeastern provincial TV stations was realized, which directly benefited over 2.8 million farmer-times. In the first half of 2013, under the project of formulated fertilization from enterprises to farmers and the project of hundreds of counties and thousands of villages and towns initiated by the Ministry of Agriculture, the Group built stations to provide services for soil testing and formulated fertilization in the pilot districts such as Wenxian in Henan, Baoding in Hebei, Dashiqiao in Liaoning, and Heshan in Hunan, and constantly perfected the services of formulated fertilization and mode of operational management.

In addition, the Group was the first to offer a 800 free hotline and 400 customer service system. The Group hired professors specializing in plant nutrition, fertilizer, and plant protection from China Agricultural University to answer the farmer's questions on planting and applying fertilizer online all the 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, covering over 3.1 billion audience-times being benefited. Cooperated with "Farmer Daily", "Agricultural Herald" and other three rural-facing and agriculture-facing medias, the Group launched the "agro-chemical service specific column" all the year round, which became an "instruction" guidance to directly provide farmers and agro-dealers with scientific farming and fertilization.

The Group raised HSE management to the level of company's strategies, and the work of energy-saving and emission-reduction made substantial progress with HSE management combined with manufacturing enterprises' production and sustainable development. In the first half of 2013, four binding indicators declined significantly including total energy consumption, energy consumption for output value of RMB10,000, SO_2 and COD.

Outlook

In the second half of 2013 and near future, it is not easy for the global economy to realize a strong and rapid recovery, and China's economy will still experience a relatively tough period.

In the near future, global population and food consumption will keep steady growth, which will lead to continuous tight balance for the food supply and demand. Meanwhile, profound changes are taking place in the global fertilizer industry, with the possibly collapsed monopoly structure of potash industry, which will generate positive influences to

Management Review and Prospect

China's agriculture, and China will also accelerate to promote new type of industrialization, urbanization, agricultural modernization, and informationization. As the urbanization level increasing constantly and agricultural modernization speeding up, the Chinese government will provide more and more support to agriculture especially modern agriculture. Enterprises, which are committed to the transformation of the business in line with the trend of agricultural modernization, will benefit from the gradual modification of agricultural operational mechanism, constantly stimulated agricultural operational vitalities and continuously promising agricultural prospect.

In the second half of 2013, the Group will continue to promote the existing development strategies especially focusing on marketing, production, and resources when faced with the severe and complex market competition. With regard to marketing, the Group has to seize the historical opportunity of the development of modern agriculture, deeply implement the vision of customer-oriented marketing, and constantly improve the performance of marketing management, channel control and clients service. With regard to production, the Group has, based on the development vision of advanced manufacture, to consolidate its production base, lower the production costs, and improve industrial competitiveness through effective measures including the implementation of technological upgrading, adjustment and optimization of industrial structure, strengthening of internal operation and management, and cost reduction and efficiency increment. With regard to resources, the Group has to thoroughly analyze the latest development trend of global resource-related products, seize the opportunity associated with the sluggish macro-economy, tough market environment and structural change of the industry at present and in the near future, and acquire the important strategic resource worldwide as soon as possible, which the Group requires for its further development, thus laying a solid foundation for the long-term and sustainable development for the Group.

In the second half of 2013, the Group will continue to promote the existing strategies, further take full advantage of its comprehensive advantages, gradually establish the management and control mode of its own, improve its ability of sustainable development, and achieve each operating target for the year of 2013 in order to create values for shareholders and contribute much to the national food security and agricultural development.

Management Discussion and Analysis

In the first half of 2013, the Group constantly promoted innovation and transformation, and gradually improved its business and operation modes. For the six months ended 30 June 2013, sales volume of the Group was 9.14 million tons, and turnover was RMB20.58 billion, up by 1.06% and down by 8.68% respectively compared to the corresponding period in 2012. The major reason was the price decrease in the sluggish fertilizer market in the first half of 2013.

For the six months ended 30 June 2013, gross profit of the Group was RMB1.122 billion, down by 23.62% compared to the corresponding period in 2012; profit attributable to shareholders of the Company was RMB352 million, down by 35.53% from RMB546 million for the six months ended 30 June 2012.

I. Operation Scale

1. Sales volume

For the six months ended 30 June 2013, sales volume of the Group was 9.14 million tons, up by 1.06% compared to the corresponding period in 2012 and maintained a leading status in market share. In particular, sales volume of nitrogen and feed-grade phosphate increased by 190,000 tons and 40,000 tons respectively compared to the corresponding period in 2012, while sales volume of other fertilizers kept stable with a slight decline. In the first half of 2013, sales volume of domestic fertilizer reached 6.94 million tons, up by 2.93% compared to the corresponding period in 2012, including 28.84% increase in domestic potash and 6.45% increase in domestic nitrogen, which maintained strong market competitiveness.

2. Turnover

For the six months ended 30 June 2013, turnover of the Group was RMB20.58 billion, down by RMB1.957 billion, or 8.68% compared to the corresponding period in 2012. The main reason for the decrease in turnover was that the market price of fertilizer slightly decreased in the first half of 2013 and the average selling price of the Group declined by 9.64% compared to the corresponding period in 2012.

The breakdown of turnover by products of the Group for the six months ended 30 June 2013 is as follows:

Table 1:

	For the six months ended 30 June			
	2013		2012	
	Turnover RMB'000	**Proportion to total turnover**	Turnover RMB'000	Proportion to total turnover
Potash Fertilizers	**4,325,097**	**21.02%**	5,354,864	23.76%
Nitrogen Fertilizers	**7,465,099**	**36.27%**	7,668,864	34.03%
Compound Fertilizers	**3,292,146**	**16.00%**	3,452,635	15.32%
Phosphate Fertilizers	**4,754,069**	**23.10%**	5,236,202	23.23%
Feed-grade Calcium	**314,735**	**1.53%**	214,717	0.95%
Others	**428,927**	**2.08%**	609,463	2.71%
Total	**20,580,073**	**100.00%**	22,536,745	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 the analysis of the Group's turnover and profit by operating segment for the six months ended 30 June 2013 and the corresponding period in 2012:

Table 2:

	For the six months ended 30 June 2013			
	Marketing RMB'000	**Production RMB'000**	**Elimination RMB'000**	**Total RMB'000**
Turnover				
External sales	**18,261,485**	**2,318,588**	**–**	**20,580,073**
Internal revenue	**166,553**	**757,125**	**(923,678)**	**–**
Segment revenue	**18,428,038**	**3,075,713**	**(923,678)**	**20,580,073**
Segment gross profit	**725,604**	**396,418**	**–**	**1,122,022**
Segment profit	**298,428**	**102,803**	**–**	**401,231**

	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

Segment profit represents the profit earned by each segment without unallocated expenses/income, and before the share of results of joint ventures and associates 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 segment results for the six months ended 30 June 2013 decreased by RMB312 million, or 43.76% compared to the corresponding period in 2012, as a result of the decreasing fertilizer prices in the sluggish market in China.

II. Profit

1. Gross profit

For the six months ended 30 June 2013, gross profit of the Group was RMB1.122 billion, down by RMB347 million or 23.62% compared to the corresponding period in 2012, mainly as a result of the decline in fertilizer prices.

The gross profit margin of the Group was 5.45%, down by 1.07 percentage points compared to the corresponding period in 2012. The major reason was that the gross profit margin of nitrogen decreased by 1.91 percentage points while the gross profit margin of other fertilizers recognized a slight decrease when the market price continued to drop.

2. Share of results of joint ventures and associates

Share of results of joint ventures: For the six months ended 30 June 2013, share of results of joint ventures of the Group were RMB9 million, down by RMB32 million or 78.05% from RMB41 million in the corresponding period in 2012. The major reason was due to the acceleration of the decline in the upstream phosphorous chemical market since the second quarter of 2013, profits of the Group's joint ventures such as Yunnan Three-Circle Sinochem Fertilizer Co., Ltd. ("Yunnan Three-Circle"), and Yunnan Three Circle-Sinochem-Mosaic Fertilizer Co. Ltd., went down in different degrees.

Share of results of associates: For the six months ended 30 June 2013, share of results of associates of the Group amounted to RMB84 million, down by RMB36 million or 30.00% over that of RMB120 million in the corresponding period in 2012. With the decrease of potash selling prices, the profit from potash sales in Qinghai Salt Lake Industry Co., Ltd. ("Salt Lake Industry"), the associate of the Group, declined compared to the corresponding period in 2012. In addition, the phase I of comprehensively utilized chemicals project of Salt Lake Industry was still in pilot production phase; accordingly 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 2013, income tax expenses for the Group were RMB81 million, down by RMB15 million over the corresponding period of 2012. This was mainly attributable to the decrease of taxable profits of various companies as a result of the weak fertilizer market.

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 2013, profit attributable to shareholders of the Company was RMB352 million, down by RMB194 million compared to the corresponding period in 2012.

For the six months ended 30 June 2013, net profit margin of the Group, calculated by dividing profit attributable to shareholders of the Company by turnover, was 1.71%.

III. Expenditures

For the six months ended 30 June 2013, total expenses were RMB793 million, down by RMB86 million or 9.78% over that of RMB879 million in the corresponding period in 2012. The expenditure details are as below:

Selling and distribution expenses: For the six months ended 30 June 2013, selling and distribution expenses were RMB388 million, up by RMB14 million or 3.74% over that of RMB374 million in the corresponding period in 2012. This was mainly due to the increase in the cost of sales and distribution resulted from the rising railway transportation expenses.

Administrative expenses: For the six months ended 30 June 2013, administrative expenses were RMB281 million, down by RMB10 million or 3.44% over that of RMB291 million in the corresponding period in 2012. The reason for the decrease in administrative expenses in the first half of 2013 was mainly that the Group put forward the operating principle of Cost Reduction and Efficiency Improvement in order to deal with the changes of the market including the downturn of the fertilizer market in the first half of 2013.

Finance costs: For the six months ended 30 June 2013, finance costs were RMB124 million, down by RMB90 million or 42.06% over that of RMB214 million in the corresponding period in 2012. The reasons were mainly as follows: firstly, the decrease in average loan led to the reduction in finance costs by RMB50 million; secondly, the decrease of overall capital cost resulted in the decrease of finance costs by RMB40 million compared to the corresponding period in 2012.

IV. Other Income and Gains

For the six months ended 30 June 2013, the Group's other income and gains amounted to RMB116 million, up by RMB46 million or 65.71% over that of RMB70 million in the corresponding period in 2012. The main reason was that in the first half of 2013, Sinochem Fertilizer Co., Ltd., a subsidiary of the Group, gained RMB31 million from its entrusted loan to Yangmei Pingyuan Chemical Co., Ltd. ("Yangmei Pingyuan") based on a loan rate of 5.6%.

V. Other Expenses and Losses

For the six months ended 30 June 2013, the Group's other expenses and losses amounted to RMB112 million, down by RMB32 million, or 22.22% over that of RMB144 million in the corresponding period in 2012. Other expenses and losses in the reporting period mainly included RMB107 million of inventory provision.

VI. Inventory Turnover

The inventory balance of the Group as at 30 June 2013 was RMB5.079 billion, down by RMB297 million, or 5.52% over that of RMB5.376 billion as at 31 December 2012. Inventory turnover days *(note)* decreased from 60 days in 2012 to 48 days for the first half of 2013 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 2013 was calculated on the basis of average inventory balance as at the beginning and 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 2012 was calculated on the basis of average inventory balance as at the beginning and the end of the year ended 31 December 2012 divided by cost of goods sold in 2012, and multiplied by 360 days.

VII. Trade and Bills Receivables Turnover

The balance of the Group's trade and bills receivables as at 30 June 2013 was RMB1.244 billion, up by RMB85 million or 7.33% over that of RMB1.159 billion as at 31 December 2012. With the influence of macroeconomic environment in the first half of 2013, the Group granted trade credits to long term cooperative partners with good reputation in this period, which eventually led to an increase in the balance of trade and bills receivables as at 30 June 2013 over that as at 31 December 2012.

The Group strengthened the management of receivables. As a result, trade and bills receivables turnover days *(note)* were shortened to 11 days for the first half of 2013 from 12 days for the year 2012.

Note: Turnover days for the first half of 2013 was calculated on the basis of the average trade and bills receivables balance excluding bills discounted to banks as at the beginning and the end of the reporting period divided by turnover for the reporting period, and multiplied by 180 days.

Turnover days for 2012 was calculated on the basis of average trade and bills receivables balance excluding bills discounted to banks as at the beginning and the end of the year ended 31 December 2012 divided by turnover in 2012, and multiplied by 360 days.

VIII. Interests in Joint Ventures

The balance of the Group's interests in joint ventures as at 30 June 2013 was RMB590 million, up by RMB4 million or 0.68%, over that of RMB586 million as at 31 December 2012. The increase was attributable to the shares of joint ventures' results according to the shareholding held by the Group in the first half of 2013.

IX. Interests in Associates

The balance of the Group's interests in associates as at 30 June 2013 was RMB8.261 billion, up by RMB83 million or 1.01% over that of RMB8.178 billion as at 31 December 2012. The increase was attributable to the share of results of associates according to the shareholding held by the Group in the first half of 2013. Among these, the share of profit attributable to Salt Lake Industry were RMB53 million, Yangmei Pingyuan and Guizhou Xinxin Industrial and Agricultural Trading Co., Ltd. were RMB21 million and RMB9 million respectively for the current period.

X. Available-for-sale Investments

The balance of the Group's available-for-sale investments as at 30 June 2013 was RMB380 million, up by RMB8 million or 2.15% over that of RMB372 million as at 31 December 2012. As at 30 June 2013, the Group revalued the investment in shares held in China XLX Fertiliser Limited based on its fair value and the number of shares held, recorded a RMB8 million increase in value.

XI. Long and Short-Term Borrowings

As at 30 June 2013, the balance of the Group's long-term and short-term borrowings was RMB3.328 billion, down by RMB1.135 billion or 25.43% over that of RMB4.463 billion as at 31 December 2012. The reason was mainly that in the reporting period, the Group repaid part of the borrowings with relatively high loan rate and thus reduced the size of borrowings.

XII. Short-term Commercial Paper

The Group issued RMB1 billion one-year commercial paper on 25 April 2013, which bears an fixed interest rate of 4.08% per annum and interest is paid annually.

XIII. Trade and Bills Payables

As at 30 June 2013, the balance of the Group's trade and bills payables was RMB4.291 billion, up by RMB726 million or 20.36% over that of RMB3.565 billion as at 31 December 2012. Since 90 days of credit was provided by suppliers in the reporting period, the balance of trade and bills payables increased correspondingly.

XIV. Other Financial Indicators

Basic earnings per share for the six months ended 30 June 2013 was RMB0.0501, down by RMB0.0276 over that of RMB0.0777 in the corresponding period in 2012. Return on equity (ROE) for the six months ended 30 June 2013 was 2.52%, down by 1.52 percentage points over that of 4.04% in the corresponding period in 2012.

Table 3:

	For the six months ended 30 June	
	2013	2012
Profitability		
Earnings per share (RMB) *(Note a)*	**0.0501**	0.0777
ROE *(Note b)*	**2.52%**	4.04%

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 2013, the Group's current ratio was 1.25, and the debt-to-equity ratio was 30.21%, representing a stable financial structure.

Table 4:

	As at 30 June 2013	As at 31 December 2012
Solvency		
Current ratio *(Note a)*	**1.25**	1.26
Debt-to-Equity ratio *(Note b)*	**30.21%**	31.10%

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).

XV. Liquidity and Financial Resources

The Group's principal sources of financing included cash from operation, 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 related capital expenditures.

As at 30 June 2013, cash and cash equivalents of the Group amounted to RMB316 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 2013 RMB'000	As at 31 December 2012 RMB'000
Secured	**–**	69,998
Unsecured	**842,768**	1,909,026
Bonds		
Principal	**2,500,000**	2,500,000
Less: amortized trading cost	**(15,040)**	(16,215)
Total	**3,327,728**	4,462,809

Table 6:

	As at 30 June 2013 RMB'000	As at 31 December 2012 RMB'000
Within one year	**842,768**	1,577,724
More than one year, but not exceeding five years	**–**	401,300
More than five years	**2,484,960**	2,483,785
Total	**3,327,728**	4,462,809

Table 7:

	As at 30 June 2013 RMB'000	As at 31 December 2012 RMB'000
Fixed interest rate	**2,673,210**	3,358,032
Floating interest rate	**654,518**	1,104,777
Total	**3,327,728**	4,462,809

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

As at 30 June 2013, the Group had banking facilities of RMB31.5 billion, including USD2.005 billion and RMB19.1 billion. The amount of utilized banking facilities consisted of USD402 million and RMB741 million, while that of unutilized banking facilities consisted of USD1.603 billion and RMB18.359 billion.

XVI. Operational and Financial Risks

The Group's major operational risks: The international economic risks were complicated and fast-changing, and the downtrend of domestic economy was obvious. Market risks and impacts of uncertainties increased under fierce market competition with excessive capacity of domestic fertilizer. Price trend of feedstock coal, phosphate rock, sulfur and other fertilizer raw materials affected the subsidiaries' cost, and 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 is mainly generated from equity securities investments and financial derivatives.

Most of the Group's assets, liabilities and transactions are denominated in Renminbi, US dollars and Hong Kong dollars. As the amount of the Group's foreign currency dominated assets and liabilities were immaterial, the fluctuations of exchange rates did not have a significant impact on the performance of the Group. The Group managed 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 fast-changing, it is frequently adjusted 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 amount is relatively small.

Credit risk

The Group's greatest credit risk is that the counterparties fail to perform their obligations with regard to all kinds of recognized financial assets, which have been confirmed and recorded in the condensed consolidated statement of financial position as at 30 June 2013. 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 the timely follow-up of the overdue debt.

Liquidity risk

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

XVII. Contingent Liabilities

As at 30 June 2013, the Group had no material contingent liabilities.

XVIII. Capital Commitment

Table 8:

	As at 30 June 2013 RMB'000	As at 31 December 2012 RMB'000
Capital expenditure in respect of acquisition project, property, plant and equipment		
Contracted but not provided for	**82,681**	150,996
Authorized but not contracted for	**1,687,875**	1,801,626
Total	**1,770,556**	1,952,622

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.

XIX. Major Investments

For the six months ended 30 June 2013, the Group did not have material investments.

XX. Remuneration Policy

The key components of the Group's remuneration package include basic salary, and if applicable, 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 a balance of short-term and long-term benefits through a reasonable system. Meanwhile, the Group also aims at maintaining the competitiveness of the overall remuneration. The level of cash remuneration 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 to 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 excessive incentives.

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 if applicable, 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, if necessary, engages professional consultant, to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 30 June 2013, the Group had about 7,954 full-time employees (including those employed by subsidiaries), 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 value the importance of training and development of employees. For the six months ended 30 June 2013, the Group provided 4,298 hours of training in aggregate for about 1,217 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 management, information technology, safety 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, and further improved the competitiveness of the Group.

Chronicle of Events

January 2013

- ◇ The Group entered into the import contract of sea-borne potash with Canpotex for the first half of 2013.
- ◇ "Tengsheng" brand of Sinochem Chongqing Fuling Chemicals Co., Ltd. ("Sinochem Fuling"), a subsidiary of the Group, was accredited as "China Famous Brand" by the State Administration for Industry and Commerce (SAIC).
- ◇ Sinochem Fertilizer Company Limited ("Sinochem Fertilizer"), a subsidiary of the Group, entered into an official agreement with Sinochem Hebei Company Limited and Shijiazhuang Bolong Agricultural Products Trading Company Limited, to jointly set up "Sinochem Shijiazhuang Logistics Company Limited".

February 2013

- ◇ Sinochem Yunlong Co., Ltd., a subsidiary of the Group, was officially approved and recognized as a National High and New Technology Enterprise by the Ministry of Science and Technology.
- ◇ Sinochem Fertilizer, a subsidiary of the Group, was accredited as "National Demonstration Enterprise of In-depth Integration of Informationization and Industrialization".

March 2013

- ◇ The Group released its 2012 Annual Report.
- ◇ Five categories of the products of Sinochem Shandong Fertilizer Company Limited, a subsidiary of the Group, including compound fertilizer, bulk blending fertilizer, organic-nonorganic bulk blending fertilizer, slow-release fertilizer and water soluble fertilizer, were awarded China's National Environmentally Friendly Ecological Fertilizer Certificate.

April 2013

- ◇ The Group and National Agro-Tech Extension and Service Centre entered into an agreement on Strategic Cooperation on Jointly Promoting Formula Fertilizer among agricultural companies, officially kicking off the initiative of joint promotion of formula fertilizer among agricultural companies.
- ◇ Feng Zhibin, CEO of the Company, led the delegation of Sinofert to conduct the non deal roadshow in New York and Los Angeles in the United States.

May 2013

- ◇ Feng Zhibin, CEO of the Company, and Sinofert's delegation attended the 81st International Fertilizer Industry Association (IFA) Annual Conference in Chicago, USA. During the conference, the delegation met with over 40 international fertilizer suppliers, traders and industry intelligence institutions.
- ◇ The Group renewed the long term phosphate import agreement with GCT of Tunisia for 2014 to 2016.
- ◇ The Group entered into a Memorandum of Understanding on Strategic Cooperation with the Ministry of Agriculture on jointly organizing the science and technology initiative of "double growth 200" for corn in northeastern China and on continuously conducting the building of farmers' field schools.
- ◇ Sinochem Fertilizer, a subsidiary of the Group, invited renowned experts of China and relevant officials from Ministry of Agriculture to attend a seminar in Beijing on the development trend of China's agricultural modernization, Sinofert's opportunities and challenges, and innovation of Sinofert's business pattern.

June 2013

- ◇ The Phosphoric Acid Workshop of No. 2 Ammonium Phosphate Plant of Sinochem Fuling, a subsidiary of the Group, was granted "National May 1 Labour Award".
- ◇ Mr. Yue Qingguo, Director of Purifying Workshop of Sinochem Changshan Chemicals Co., Ltd., a subsidiary of the Group, was granted "National May 1 Labour Medal".

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 26 to 49 which comprises the condensed consolidated statement of financial position of Sinofert Holdings Limited as of 30 June 2013 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 2013 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

22 August 2013

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013 – Unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2013	2012
	Note	**RMB'000**	RMB'000
Turnover	*3*	**20,580,073**	22,536,745
Cost of sales		**(19,458,051)**	(21,067,693)
Gross profit		**1,122,022**	1,469,052
Other income and gains		**116,099**	70,093
Selling and distribution expenses		**(388,351)**	(374,180)
Administrative expenses		**(281,474)**	(291,423)
Other expenses and losses		**(111,557)**	(144,071)
Share of results of associates		**84,303**	119,971
Share of results of joint ventures		**8,973**	40,941
Finance costs		**(123,850)**	(214,075)
Profit before taxation	*4*	**426,165**	676,308
Income tax expenses	*5*	**(81,487)**	(96,277)
Profit for the period		**344,678**	580,031
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**(54,945)**	16,237
Changes in fair value of available-for-sale investments		**8,901**	(2,166)
Other comprehensive income for the period, net of tax		**(46,044)**	14,071
Total comprehensive income for the period		**298,634**	594,102

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013 – Unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2013	2012
	Note	**RMB'000**	RMB'000
Profit for the period attributable to			
– Owners of the Company		**352,260**	545,700
– Non-controlling interests		**(7,582)**	34,331
		344,678	580,031
Total comprehensive income attributable to			
– Owners of the Company		**306,216**	559,771
– Non-controlling interests		**(7,582)**	34,331
		298,634	594,102
Earnings per share	*6*		
Basic (RMB)		**0.0501**	0.0777
Diluted (RMB)		**0.0501**	0.0777

The notes on pages 32 to 49 form part of this interim financial report. Details of dividends payable to owners of the Company are set out in note 15(a).

Condensed Consolidated Statement of Financial Position

At 30 June 2013 – Unaudited
(Expressed in Renminbi)

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Non-current assets			
Fixed assets	7		
– Property, plant and equipment		**3,136,558**	3,162,737
– Investment properties		**14,600**	14,600
		3,151,158	3,177,337
Prepaid lease payments		**514,273**	520,229
Mining rights		**716,580**	734,458
Goodwill	8	**815,064**	820,162
Other long-term assets		**9,910**	11,299
Interests in associates		**8,261,149**	8,177,561
Interests in joint ventures		**590,010**	586,429
Available-for-sale investments		**379,562**	372,051
Advance payments for acquisition of property, plant and equipment		**134,614**	23,725
Deferred tax assets		**604,922**	674,865
		15,177,242	15,098,116
Current assets			
Inventories		**5,079,318**	5,375,898
Trade and bills receivables	9	**1,244,280**	1,158,659
Other receivables and advance payments		**1,106,142**	2,274,986
Loans to an associate		**900,997**	1,297,284
Prepaid lease payments		**11,977**	11,977
Other deposits	10	**1,603,790**	858,200
Pledged bank deposits		**–**	2
Bank balances and cash		**316,294**	334,682
		10,262,798	11,311,688
Current liabilities			
Trade and bills payables	11	**4,291,359**	3,564,875
Other payables and receipt in advance	12	**2,032,920**	3,784,384
Interest-bearing borrowings – due within one year	13	**842,768**	1,577,724
Short-term commercial paper	14	**1,000,000**	–
Tax liabilities		**26,742**	24,839
		8,193,789	8,951,822
Net current assets		**2,069,009**	2,359,866
Total assets less current liabilities		**17,246,251**	17,457,982

Condensed Consolidated Statement of Financial Position

At 30 June 2013 – Unaudited
(Expressed in Renminbi)

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Non-current liabilities			
Interest-bearing borrowings – due after one year	*13*	**2,484,960**	2,885,085
Deferred income		**133,021**	140,391
Deferred tax liabilities		**265,600**	271,945
Other long-term liabilities		**37,928**	37,928
		2,921,509	3,335,349
NET ASSETS		**14,324,742**	14,122,633
CAPITAL AND RESERVES			
Issued equity	*15(b)*	**8,267,384**	8,267,384
Reserves		**5,714,674**	5,534,383
Total equity attributable to owners of the Company		**13,982,058**	13,801,767
Non-controlling interests		**342,684**	320,866
TOTAL EQUITY		**14,324,742**	14,122,633

The notes on pages 32 to 49 form part of this interim financial report.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013 – 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
Balance 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)
Balance 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
Balance at 1 January 2013	8,267,384	255,531	486,112	366,484	3,286	–	92,612	(736,495)	5,066,853	13,801,767	320,866	14,122,633
Profit for the period	–	–	–	–	–	–	–	–	352,260	352,260	(7,582)	344,678
Other comprehensive income for the period	–	–	–	–	8,901	–	–	(54,945)	–	(46,044)	–	(46,044)
Total comprehensive income for the period	–	–	–	–	8,901	–	–	(54,945)	352,260	306,216	(7,582)	298,634
Energy-saving and emission reduction fund received *(note d)*	–	–	–	–	–	–	5,120	–	–	5,120	–	5,120
Maintenance and production fund *(note d)*	–	–	–	–	–	–	2,656	–	(2,656)	–	–	–
Dividends approved in respect of previous year	–	–	–	–	–	–	–	–	(131,045)	(131,045)	–	(131,045)
Increase in non-controlling interests attributable to capital contribution to subsidiaries	–	–	–	–	–	–	–	–	–	–	29,400	29,400
Balance at 30 June 2013	8,267,384	255,531	486,112	366,484	12,187	–	100,388	(791,440)	5,285,412	13,982,058	342,684	14,324,742

Notes:

a. The merger reserve comprises 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, and difference between the carrying amount of non-controlling interests acquired and the fair value of consideration paid.

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 to relevant PRC regulations on certain enterprises.

The notes on pages 32 to 49 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013 – Unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Net cash generated from operating activities	**1,205,480**	862,660
Investing activities		
Purchase of property, plant and equipment	**(232,400)**	(176,270)
Proceeds from disposals of property, plant and equipment	**25**	1,670
Consideration payments for acquisition of a subsidiary	**(395,000)**	(462,962)
Acquisition of other long-term assets	**(2,045)**	(2,742)
Placement of other deposits	**(14,077,590)**	(14,303,412)
Proceeds from withdrawal of other deposits	**13,332,000**	14,368,900
Interest received	**37,931**	12,314
Decrease in pledged bank deposits	**2**	4,376
Repayments of loans from an associate	**400,000**	–
Dividends received from an associate	**510**	286
Dividends received from a joint venture	**5,392**	–
Dividends received from an available-for-sale investment	**3,843**	1,802
	(927,332)	(556,038)
Financing activities		
Repayments of borrowings	**(4,871,932)**	(5,546,604)
Proceeds from new borrowings	**4,736,851**	5,561,721
Proceeds from exercise of options	**–**	2,412
Interests paid	**(59,469)**	(146,916)
Dividends paid	**(131,045)**	(94,801)
Capital contribution from non-controlling shareholders	**29,400**	–
	(296,195)	(224,188)
Net (decrease)/increase in cash and cash equivalents	**(18,047)**	82,434
Cash and cash equivalents as at 1 January	**334,682**	302,345
Effect of foreign exchange rates changes	**(341)**	212
Cash and cash equivalents at 30 June	**316,294**	384,991

The notes on pages 32 to 49 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 22 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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 2012 annual financial statements.

The interim financial report is unaudited, but has been reviewed by the Company's Audit Committee. It 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 in this report.

The financial information relating to the financial year ended 31 December 2012 that is included in this interim financial report as being previously reported information and does not constitute the Company's statutory financial statements for the financial year 2012 but is extracted from those financial statements. Statutory financial statements for the year ended 31 December 2012 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2013.

2 Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that 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 HKAS 1, *Presentation of financial statements – presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 11, *Joint arrangements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- *Annual Improvements to HKFRSs 2009-2011 Cycle*

Amendments to HKAS 1, Presentation of financial statements – presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

2 Changes in accounting policies (continued)

HKFRS 11, Joint arrangements

HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangement are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investments from jointly controlled entities to joint ventures. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in note 16. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

2 Changes in accounting policies (continued)

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker ("CODM") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets in note 3.

Besides the above new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period, the Group has not applied any new standard or interpretation that is not yet effective.

3 Segment reporting

The Group's operating segments based on information reported to 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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

3 Segment reporting (continued)

	For the six months ended 30 June 2013			
	Marketing RMB'000	Production RMB'000	Elimination RMB'000	Total RMB'000
Revenue				
External revenue	18,261,485	2,318,588	–	20,580,073
Internal revenue	166,553	757,125	(923,678)	–
Segment revenue	18,428,038	3,075,713	(923,678)	20,580,073
Segment gross profit	725,604	396,418	–	1,122,022
Segment profit	298,428	102,803	–	401,231
Share of results of associates	(122)	84,425	–	84,303
Share of results of joint ventures	11	8,962	–	8,973
Unallocated expenses				(39,322)
Unallocated income				94,830
Finance costs				(123,850)
Profit before taxation				426,165
As at 30 June 2013				
Segment Assets	6,303,263	6,857,248	–	13,160,511

3 Segment reporting (continued)

	For the 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 joint ventures	–	40,941	–	40,941
Unallocated expenses				(32,034)
Unallocated income				48,320
Finance costs				(214,075)
Profit before taxation				676,308
As at 31 December 2012				
Segment Assets	7,314,073	7,597,626	–	14,911,699

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, share of results of associates and joint ventures and finance costs. This is the measure reported to the Group's CODM for the purposes of resource allocation and performance assessment.

4 Profit before taxation

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

(a) Finance costs

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Interests on borrowings		
– wholly repayable within five years	**60,175**	150,152
– not wholly repayable within five years	**63,675**	64,252
Less: interest expense capitalized	**–**	(329)
	123,850	214,075

No capitalized interest expense occurred during the period of six months ended 30 June 2013. The Borrowing cost capitalization rate per annum during the period of six months ended 30 June 2012 was 6.05%.

(b) Other items

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Depreciation of property, plant and equipment	**145,239**	211,648
Amortization of prepaid lease payments	**5,956**	17,000
Amortization of mining rights	**16,438**	7,630
Amortization of other long-term assets	**4,078**	11,049
Write-down of inventories	**106,685**	111,612
Deferred income released	**(4,050)**	(5,282)
Reversal of allowance provided for receivables	**(20)**	(20)
Loss on disposal of property, plant and equipment	**4**	441

5 Income tax expenses

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Current tax – Hong Kong Profits Tax	**–**	1,651
Current tax – PRC Enterprise Income Tax	**17,889**	25,563
Deferred taxation	**63,598**	69,063
	81,487	96,277

(i) The provision for Hong Kong Profits Tax is calculated by applying the estimated effective tax rate of 16.5% (2012: 16.5%) to the six months ended 30 June 2013.

(ii) The provision for the PRC Enterprise Income Tax is based on the statutory rate of 25% (2012: 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 2013, 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.

6 Earnings per share

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**352,260**	545,700
	'000 shares	'000 shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,024,456**	7,024,351
Effect of dilutive potential ordinary shares from:		
– Share options	**–**	36
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**7,024,456**	7,024,387

7 Fixed assets

(a) Disposals

During the six months ended 30 June 2013, items of property, plant and equipment with a net book value of RMB29,000 were disposed of during the six months ended 30 June 2013 (the corresponding period in 2012: RMB2,111,000), resulting in a loss on disposal of RMB4,000 (the corresponding period in 2012: RMB441,000).

(b) Valuation

On 30 June 2013, the directors of the Company 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.

8 Goodwill

	2013 RMB'000	2012 RMB'000
COST		
At 1 January	**820,162**	554,374
Acquisition through business combination	**–**	531,074
Deemed disposal of interest in a subsidiary	**–**	(265,357)
Exchange adjustments	**(5,098)**	71
At 30 June/31 December	**815,064**	820,162
IMPAIRMENT		
At 1 January	**–**	(265,357)
Deemed disposal of interest in a subsidiary	**–**	265,357
At 30 June/31 December	**–**	–
CARRYING AMOUNT		
At 30 June/31 December	**815,064**	820,162

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

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Marketing	**252,751**	257,288
Production		
– Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong")	**531,074**	531,074
– Others	**31,239**	31,800
	815,064	820,162

8 Goodwill (continued)

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 2013 approved by the directors of the Company. The growth rates for the first 3 years from 2014 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 2013 (for the corresponding period in 2012: nil).

9 Trade and bills receivables

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Trade receivables	**562,899**	492,982
Bills receivable	**681,381**	665,677
	1,244,280	1,158,659

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

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 3 months	**574,019**	989,123
Over 3 months but within 6 months	**632,085**	161,463
Over 6 months but within 12 months	**30,547**	4,121
Over 12 months	**7,629**	3,952
	1,244,280	1,158,659

9 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 RMB13,620,000 (as at 31 December 2012: RMB11,629,000) 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.

10 Other deposits

Other deposits represent principal-protected financial products issued by financial institutions in the PRC, which carried at fixed interest rates from 4% to 9% per annum. Among other deposits as at 30 June 2013, balances of approximately RMB1,552,990,000 (as at 31 December 2012: approximately RMB700,100,000) 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.

11 Trade and bills payables

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Trade payables	**3,790,418**	3,322,420
Bills payables	**500,941**	242,455
	4,291,359	3,564,875

As at the end of the reporting period, all trade and bills payables of the Group are repayable on demand except for bills payable which are repayable within six months. All trade and bills payable are expected to be settled within one year.

12 Other payables and receipt in advance

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Payroll payable	**116,377**	167,805
Consideration payable for acquisition of Sinochem Yunlong	**230,000**	650,000
Interest payable	**79,574**	15,193
Others	**190,417**	219,308
Other payables	**616,368**	1,052,306
Receipt in advance	**1,416,552**	2,732,078
Other payables and receipt in advance	**2,032,920**	3,784,384

13 Interest-bearing borrowings

As at 30 June 2013, the Group's available unutilized banking facilities were approximately RMB28,261,121,000 (As at 31 December 2012: approximately RMB31,810,855,000).

14 Short-term commercial paper

One of the Group's subsidiaries issued a one-year commercial paper of RMB1 billion in the PRC debenture market on 25 April 2013. This commercial paper bears fixed interest rate of 4.08% per annum and interests are paid annually. Interest payable for the current period was included in other payables.

15 Capital, reserves and dividends

(a) Dividends

The Board of Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2013 (the corresponding period in 2012: nil).

During the six months ended 30 June 2013, the final dividend for the year ended 31 December 2012 of approximately RMB131,045,000 (the corresponding period in 2012: approximately RMB94,801,000) at HK$0.0232 (approximately RMB0.0187) (the corresponding period in 2012: HK$0.0166 (approximately RMB0.0135)) per share has been paid.

15 Capital, reserves and dividends (continued)

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

	2013 RMB'000	2012 RMB'000
At 1 January	**8,267,384**	8,264,318
Issue of new shares (par value of HK$0.10 each):		
– Exercise of share options	**–**	3,066
At 30 June	**8,267,384**	8,267,384

16 Fair value measurement of financial instruments

(a) *Financial assets and liabilities measured at fair value*

	Fair value at 30 June 2013	Fair value measurements as at 30 June 2013 using		
		Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
– Listed available-for-sale investments	**88,245**	**88,245**	**–**	**–**

	Fair value at 31 December 2012	Fair value measurements as at 31 December 2012 using		
		Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
– Listed available-for-sale investments	80,709	80,709	–	–

During the six months ended 30 June 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2012: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

16 Fair value measurement of financial instruments (continued)

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2012 and 30 June 2013 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	At 30 June 2013		At 31 December 2012	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Financial liabilities	**2,484,960**	**2,519,273**	2,483,785	2,504,110

17 Commitments

(a) Capital commitments

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Capital expenditure in respect of acquisition project, property, plant and equipment:		
– Contracted but not provided for	**82,681**	150,996
– Authorized but not contracted for	**1,687,875**	1,801,626
	1,770,556	1,952,622

(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 2013 RMB'000	At 31 December 2012 RMB'000
Within 1 year	**42,069**	49,118
Over 1 year but within 5 years	**25,547**	37,561
Over 5 years	**1,522**	1,578
	69,138	88,257

18 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	
	2013	2012
	RMB'000	RMB'000
Sales of fertilizers to		
Ultimate holding company	**7,753**	27,548
Jointly ventures	**155,955**	250,595
	163,708	278,143
Purchases of fertilizers from		
Ultimate holding company	**225,440**	134,019
Joint ventures	**926,648**	599,571
Associates	**711,808**	213,400
A subsidiary of a shareholder with significant influence over the Company	**6,783**	6,236
	1,870,679	953,226
Import service fee paid to		
Fellow subsidiary	**6,983**	8,842
Ultimate holding company	**1,999**	1,473
	8,982	10,315
Office rental fee paid to		
Fellow subsidiary	**10,440**	10,911
Repayments of loans from an associate	**400,000**	–
Interest income due from an associate	**30,807**	–

18 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 2013 RMB'000	At 31 December 2012 RMB'000
Other receivables		
Beijing Chemsunny Property Co., Ltd. ("Chemsunny Ltd.")	**9,819**	4,273
Guiyang Sinochem Kailin Fertilizer Co., Ltd. ("Sinochem Kailin")	**11,245**	11,245
Sinochem Hong Kong (Group) Company Limited	**1,416**	1,442
Yangmei Pingyuan Chemical Co., Ltd. ("Yangmei Pingyuan")	**1,014**	1,014
Sinochem Group	**1,272**	45
	24,766	18,019
Advance payments to suppliers		
Gansu Wengfu Chemical Co., Ltd.	**25,091**	53,455
Yunnan Three Circles-Sinochem-Mosaic Fertilizers Co., Ltd. ("Sinochem Mosaic")	**2,011**	–
Qinghai Salt Lake Industry Co., Ltd.	**12,473**	144,285
Guizhou Xinxin Industrial and Agricultural Trading Co., Ltd. ("Guizhou Xinxin")	**3,006**	8,795
Yangmei Pingyuan	**17,909**	83,939
Sinochem Kailin	**7,503**	–
Jinmao Investment (Changsha) Co. Ltd.	**3,926**	3,926
	71,919	294,400
Loans to an associate		
Yangmei Pingyuan	**900,997**	1,297,284
Trade payables		
Sinochem Group	**2,260,294**	2,292,707
Yunnan Three Circles Sinochem Fertilizers Co., Ltd.	**68,451**	177,588
Guizhou Xinxin	**37,607**	37,607
	2,366,352	2,507,902
Other payables		
Sinochem (United Kingdom) Limited	**4,500**	–
Yangmei Pingyuan	**47,675**	47,675
	52,175	47,675
Receipt in advance		
Sinochem Mosaic	**–**	36,443

18 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	
	2013	2012
	RMB'000	RMB'000
Sales of fertilizers	**5,063,404**	2,202,464
Purchases of fertilizers	**7,478,945**	3,231,732

(d) Compensation of key management personnel

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Salaries and other benefits	**3,864**	3,647
Retirement benefit scheme contributions	**129**	83
Fees	**597**	605
	4,590	4,335

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 2013.

Directors' Interests in Shares and Underlying Shares of the Company

As at 30 June 2013, 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 2013, 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 2013, 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 2013, 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 interests or short positions held by any other person in the issued share capital of the Company as at 30 June 2013, which were required to be recorded in the register maintained by the Company under section 336 of the SFO.

Additional Information

Share Options of the Company

The Company has adopted share option schemes to provide incentives to directors, eligible employees and other eligible participants. The first share option scheme of the Company was adopted on 26 August 2002 and was subsequently terminated on 28 June 2007 (the "Old Share Option Scheme"). All outstanding share options granted under the Old Share Option Scheme prior to its termination were continued to be valid and exercisable after such termination, but were expired and lapsed on 23 January 2012 in accordance with the Old Share Option Scheme. On 28 June 2007, shareholders of the Company approved the adoption of another share option scheme (the "New Share Option Scheme") and subsequently, share options, which were exercisable in accordance with the New Share Option Scheme, were granted on 28 August 2007. On 14 June 2012, upon approval by the shareholders in general meeting of the Company, all outstanding share options under the New Share Option Scheme were cancelled. Since then, no other share options were granted under the New Share Option Scheme. During the six months ended 30 June 2013, no share options were granted, exercised, cancelled or lapsed under the New Share Option Scheme.

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 2013.

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 2013.

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. The Company has complied with the applicable code provisions in the Corporate Governance Code and Corporate Governance Report (referred to "Corporate Governance Code" hereunder) set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2013 and up to the date of this report, except for the deviations from the code provisions A.1.7, A.6.7 and E.1.2 as described below.

The code provision A.1.7 stipulates that, a board meeting should be held if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material. In addition, independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting. During the six months ended 30 June 2013 and up to the date of this report, the Board approved several connected transactions by circulation of written resolutions in lieu of physical board meeting, for which certain directors who are nominated by the ultimate controlling or substantial shareholders of the Company, were regarded as having material interests therein. As the directors of the Company are living and working in different countries which are far apart, adoption of written resolutions in lieu of physical board meetings allows the Board to make a decision relatively quicker in response to the rapid change in the fertilizer markets. Before formal execution of the written resolutions, the directors had discussed the matters via emails and made amendments to the transactions as appropriate.

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 13 June 2013 ("2013 AGM") due to other essential business engagements.

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 2013 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 2013 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 2013 AGM and were available to answer relevant questions, which was in compliance with other part of code provision E.1.2.

On 13 December 2012, the Stock Exchange published the consultation conclusions on board diversity, which states that a new code provision on board diversity will be included in the Corporate Governance Code and become effective from 1 September 2013. In order to promote the Company's continued commitment to high standards of corporate governance, the Nomination Committee of the Company reviewed and the Board approved the adoption of a Board Diversity Policy of the Company in March 2013.

Save as disclosed above, please refer to the "Corporate Governance Report" contained in the Company's 2012 annual report for more information about the corporate governance of the Company.

Disclosure of Information of Directors

Pursuant to the disclosure requirements under rule 13.51B(1) of the Listing Rules, the changes of information of director(s) are as follows:

Mr. Tse Hau Yin, Aloysius, independent non-executive director of the Company, was appointed as an independent non-executive director of CCB International (Holdings) Limited, a wholly-owned subsidiary of China Construction Bank Corporation in March 2013.

Additional Information

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 2013.

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, 22 August 2013