中化化肥控股有限公司
SINOFERT HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
Stock Code: 297

NURTURING CHINA'S AGRICULTURE SECTOR

INTERIM REPORT 2014

NURTURING CHINAS
AGRICULTURE SECTOR

Contents

Corporate Information

BOARD OF DIRECTORS

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

Executive Directors
Mr. WANG Hong Jun *(Chief Executive Officer)*
(appointed on 7 March 2014)
Mr. Harry YANG

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

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. WANG Hong Jun *(Chairman)*
(appointed on 7 March 2014)
Mr. Harry YANG
Ms. CHEUNG Kar Mun, Cindy
Ms. DONG Jiao Jiao

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

PRINCIPAL BANKERS
Agricultural Bank of China
Bank of China
Bank of Tokyo-Mitsubishi
China Construction Bank
China Merchants Bank
Industrial and Commercial Bank of China
Rabobank International

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Wanchai
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

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Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Hong Kong (Branch)
Tricor Secretaries Limited
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Hong Kong

COMPANY WEBSITE
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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

INVESTOR RELATIONS

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Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I hereby 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 2014.

In the first half of 2014, with a still severe economic situation both at home and abroad and a continuous downturn on the fertilizer market, the Group unswervingly promoted strategic agendas put forward at the beginning of the year, actively took measures, made great efforts to mitigate the impact of unfavourable factors and made a profit. The operation KPIs of the Group were in good condition. In particular, the total assets size was increased, inventory turnover was sped up compared to the same period in 2013 and the debt to assets structure was steady; the operating cash flow turned out to be net cash inflow. At the same time, the Group's operating capacity was consolidated and enhanced and the strategic partnership with domestic and international suppliers further stepped up. Since there was no obvious improvement in the supply and demand relation in the fertilizer industry in the first half of 2014 and the selling price of fertilizers was still running low, total sales volume of the Group amounted to 8.25 million tons, down by 9.74% compared to the corresponding period in 2013; turnover was RMB15,881 million, down by 22.83% compared to the corresponding period in 2013; and profit attributable to the shareholders of the Company was RMB138 million, down by 60.80% compared to the corresponding period in 2013.

In the second half of 2014, the global economic recovery is slow but the scope is widened; with the release of the benefits from both the reform and restructuring, the endogenous driving force of the Chinese economy and the vitality of the market players will be further enhanced and the promotion of industrialization, information technology, urbanization and agricultural

Chairman's Statement

modernization will release more demand. Against this background, the Chinese government is attaching more and more importance to agricultural modernization and is making more efforts in terms of agricultural and food production, the building of modern agriculture and innovation of agricultural production and operation mechanism, which will bring new opportunities for the Group to bring forth new ideas for innovative operation and deepen transformation.

Confronted with a complex and changeable market climate, the Group will further tap the potential, work within the limits of the budget, try to achieve cost reduction and efficiency improvement in production enterprises, seize the market opportunity in marketing business and sprint to reach the goal for the year; carry out management improvement and further enhance the management quality; stick to the principles of HSE, risk and quality management; deepen the mechanism reform under the overall principles of bold hypothesis, careful verification, a step-by-step approach and adaptation to local conditions; earnestly make plans for the outlook of the Company and strengthen the absolute advantage in end-users; and strengthen team building, maintain the stability of the team and introduce senior professionals in research, production and marketing as soon as possible.

Last but not the least, on behalf of the board of the directors, I would like to take this opportunity to extend our heartfelt appreciations to all the shareholders and customers of the Group. We hope to have your continuous attention and support in our future development. The Company's management and employees will bear in mind the concept of "creating value and pursuing excellence", double our efforts and continue to make great contributions to the development of Group.

Liu De Shu
Chairman of the Board

Hong Kong, 21 August, 2014

Management Review and Prospect

BUSINESS ENVIRONMENT

In the first half of 2014, the international political and economic environment was rather complex and changeable, regional turmoil brought uncertainty to the world economy and the economy in developed countries such as the United States, European countries and Japan continued to recover. The overall international environment was conducive to the stable development of the Chinese economy, but the slowdown in the development of emerging economies will have impacts on the export of China. The Chinese government continued with the regulation policy of making progress while ensuring stability, sped up the reform, actively adjusted industrial structure and promoted the sustainable and sound development of the national economy.

In the first half of 2014, although the supply and demand relation of grain was improved, the overall grain price still took on a downside trend. There was basically sufficient grain supply on the domestic market as China's grain production hit a new historic high after increasing for 10 times in a row, and the grain import continued to increase. The Chinese government attached high importance to grain safety and modern agriculture development. The No.1 Central Document in 2014 specified that the position of agriculture as the foundation of the economy should be upheld and agricultural modernization quickened. A new road for agricultural modernization with Chinese characteristics featuring advanced production technology, moderate operation scale, high market competitiveness and sustainable ecological environment should be explored. The high importance the Chinese government attached to the development of agriculture brought new opportunities for the fertilizer industry.

In the first half of 2014, the competition in the fertilizer industry was even fiercer. The Chinese fertilizer industry continued to be sluggish, the oversupply was intensified, newly-added production capacity was released rapidly, the oversupply contradiction was even more prominent and the price continued to decline. In order to speed up the elimination of excessive production capacity, the Chinese government constantly tightened favourable policies for the fertilizer industry, and with strengthened constraints from safety and environmental protection requirements, enterprises were faced with bigger operation pressure.

Confronted with the severe market environment, the Group aimed at enhancing its core competitiveness, brought forth new ideas in operation and deepened transformation, focused on the implementation of seven major strategies, realized sustainable development and ensured the leading position of the Group in the industry under the leadership of the Board.

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2014, the Group's turnover amounted to RMB15,881 million, decreased by 22.83% compared to the corresponding period in 2013; and profit attributable to shareholders of the Company amounted to RMB138 million, decreased by 60.80% compared to the corresponding period in 2013.

RESOURCE GUARANTEE

In the first half of 2014, Sinochem Yunlong Co., Ltd. ("**Sinochem Yunlong**"), a subsidiary of the Group with 300 million tons of high-quality phosphate resources, continued to make more efforts in phosphate mine exploration. The exploration of Mozushao phosphate mine fully completed the planned task and Sinochem Yunlong mined 285,000 tons of phosphate rock in the first half of 2014. The Group increased the reserve volume of phosphate resource in the current areas with the progress made in mining exploration in Dawan; the construction of the Dawan mine and the preliminary work for the deep exploration of Mozushao mine were steadily progressed, the value contribution of phosphate resources was constantly enhanced, which laid a solid foundation for the Group to get through the industrial chain of phosphate and phosphoric chemicals. The Group constantly carried out the "resource acquisition strategy with a global perspective", continued to focus on mergers and acquisitions opportunities for high-quality upstream resources such as coal, natural gas, phosphate and potash both at home and abroad and strengthened the resource support capability of the Group. Currently, a number of high-quality projects are carried out in an orderly way.

PRODUCTION AND MANUFACTURING

In the first half of 2014, the fertilizer production capacity of the Group's subsidiaries, associates and joint ventures exceeded 10 million tons. At the same time, production enterprises continued to push forward advanced manufacturing and through lean management, technological renovation and science and technology innovation, both production and supply capacity were further improved.

Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd. ("**Sinochem Fuling**"), a subsidiary of the Group, with a fertilizer production capacity of 1.5 million tons, produced 590,900 tons of phosphate and compound fertilizers and other products in the first half of 2014. Faced with a downturn of the industry, Sinochem Fuling maintained low-cost manufacturing, continued with its efforts in technological innovation, developed a new technology to produce high-purity potassium dihydrogen phosphate (KDP) with solvent extraction and thus contributed to the mitigation of supply and demand conflict in potash on the domestic market and supported the development of agriculture and industry; constantly strengthened HSE management and energy saving and emission reduction efforts; and carried out centralized procurement and management of raw materials, lowered down the procurement cost and safeguarded the stable quality of the products.

With an annual fertilizer production capacity of 700,000 tons, Sinochem Jilin Changshan Chemical Co., Ltd. ("**Sinochem Changshan**"), a subsidiary of the Group, produced 158,000 tons of urea in the first half of 2014. Sinochem Changshan continued to carry out advanced manufacturing, strengthened cost saving and consumption reduction as well as management improvement; the urea renovation and expansion project in Sinochem Changshan was carried out as planned and 75.75% of the expansion project was completed. After the expansion project is put in place, the annual production capacity of synthetic ammonia and urea in Sinochem Changshan will be increased to 360,000 tons and 600,000 tons respectively.

With a production capacity of 300,000 tons of Monocalcium (MCP)/Monodicalcium phosphate (MDCP) and 700,000 tons of phosphate rock mining capacity, Sinochem Yunlong produced 139,000 tons of MCP/MDCP and 285,000 tons of phosphate rock. Based on the price fluctuation on the raw material market, Sinochem Yunlong flexibly adjusted its procurement strategy and effectively reduced the procurement cost; the product quality in Sinochem Yunlong reached the international advanced level and gained the quality system certification of both ISO and FAMI-QS (European Code of Practice for Feed Additive and Premixture Operators).

Sinochem Shandong Fertilizer Co., Ltd. ("**Sinochem Shandong**"), a subsidiary of the Group, with an annual compound fertilizer production capacity of 600,000 tons, produced 201,000 tons of compound fertilizer in the first half of 2014. Based on the changes on the raw material market, Sinochem Shandong actively explored new cooperation models with upstream suppliers and effectively avoided the risk of price decrease in raw materials; continued to improve the quality management of products and make more efforts in energy saving and emission reduction; promoted integrated operation of compound fertilizer within the Group and improved the synergy efficiency of production, marketing, network and service.

MARKETING BUSINESS

The Group resolutely carried out the established operation strategies, continuously intensified the construction of marketing service ability and the development of grass-roots customers. In the first half of 2014, sales volume achieved 8.25 million tons, which further consolidated the Group's status as the biggest fertilizer distributor and service provider in China.

Potash Operation: Sales volume of potash fertilizer amounted to 1.53 million tons in the first half of 2014. The Group maintained its leading status in domestic potash market by seizing the customers' demand and maintaining good cooperation with core customers in China. The Group focused on channel marketing of potash for direct application as well as innovation in marketing channels of potash for direct application, and realized steady growth in the sales of potash for direct application; continued to consolidate strategic cooperation with international core suppliers, signed long-term contracts with suppliers to acquire stable and high-quality products, which laid a good foundation for the potash business operation in the second half of 2014.

Nitrogen Operation: In the first half of 2014, the Group was among the top enterprises in terms of market share of nitrogen in China with a sales volume of 3.18 million tons. The Group concluded annual strategic cooperation agreement with core suppliers, consolidated the foundation for cooperation and continued to step up cooperation with core suppliers; rapidly carried out the operation of new nitrogen products, continued to strengthen the marketing and promotion of new products such as UAN and alginates and enhanced profit contribution; actively adjusted the marketing model, largely increased the proportion of direct sales of products arriving at the railway stations, advance payment and direct sales to big customers and ensured steady operation of nitrogen.

Phosphate Operation: Sales volume of phosphate fertilizer amounted to 1.77 million tons for the first half of 2014. The Group strengthened the building of the core supplier system, stepped up cooperation with upstream suppliers, developed a product supply layout centring on 2 core supply bases with supply from 4 provinces as a supplement and thus ensured the low-cost and high-quality product supply; the Group promoted the building of the core customer system, deepened the strategy of "one brand for each customer in each county" and consolidated the channels. The Group strengthened raw material supply from shareholding enterprises and increased the proportion of direct sales of products from the production plants. Market and customer segmentation was carried out, and differentiated pricing strategy was adopted so as to enhance the trade and marketing competitiveness.

Compound Fertilizer Operation: Sales volume of compound fertilizers amounted to 1.16 million tons in the first half of 2014. The Group deeply promoted the integration and marketing transformation of compound fertilizers, further promoted the integration of channels, reduced channel conflicts and improved operation efficiency; continued to promote the building of marketing capabilities of the Company, strengthened the fostering of core dealers, built a network of end core outlets and enhanced the marketing and service capabilities of compound fertilizers; and constantly optimized the product structure of compound fertilizers and increased sales volume of differentiated products.

MCP/MDCP operation: Sales volume of MCP/MDCP in the first half of 2014 amounted to 130,000 tons. In terms of production, the utilization rate of low-grade phosphate rock was evidently enhanced, the per capita consumption of sulphuric acid products largely reduced and the external supervision and review of the FAMI-QS and ISO9001 quality systems was successfully passed. Sinochem Yunlong adopted various logistics and transportation models and effectively reduced the transportation costs. In terms of market exploitation, while consolidating the existing overseas market, the Group strengthened the domestic sales team building, focused on large domestic feed enterprise customers and met the demand of domestic customers quite well.

The Group continued to optimize the existing distribution network and improved the profitability of the distribution network through consolidating the customer base, optimizing the product structure and strengthening the service providing capacity for customers. The number of the distribution centres was more than 2,000 and the number of trading customers amounted to around 11,300 in the first half of 2014. In the first half of 2014, the Group focused on the marketing transformation of the branches, promoted the marketing transformation of compound fertilizers and the marketing transformation of agricultural potash channels. The Group centred on compound fertilizers and potash for agriculture, strengthened the professional team building in branches, improved the marketing and promotion capacities of the business personnel and built a professional marketing personnel team.

INTERNAL CONTROL AND MANAGEMENT

The Group actively promoted the system building of internal control and risk management. Besides the special committees of the Board, the Group also set up eight special management committees including risk and internal control, procurement and auditing committees, and vigorously promoted the internal control and risk management system which is "risk management oriented, internal control centred" within the scope authorized by the Board.

The Group's internal control and risk management system was built according to the "Internal Control-Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (hereinafter referred to as "COSO") in the United States and the "Internal Control and Risk Management-A Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants, and was in reference to the "Basic Rules of the Enterprise Internal Control" and its referencing guidelines issued by five ministries and commissions of China's central government. The Group conducted an annual assessment on comprehensive internal control and risk management, with full participation from the headquarters, distribution network, subsidiaries and overseas institutions, and reviewed the internal control factors and key risks and control points. The Group's internal control and risk management system provided effective support to cope with the changing domestic and international environment, served the Group's strategic transformation, ensured shareholders' interests, assets safety and strategic implementation, and also met the compliance requirements from the overseas regulatory organizations.

CORPORATE SOCIAL RESPONSIBILITY

The Group actively brought into play its influence and leading status in the industry, consolidated its leading position in the market and strove to become a resource-saving and environmental-friendly model enterprise with advanced technology in the industry and also an important pillar supporting the national agricultural safety.

The Group actively devoted itself to the building of a socialized service system for agriculture, fulfilled its social responsibilities and promoted the development of modern agriculture in China at full stretch. The Group adhered to the principle of "precision fertilization, high-efficiency fertilization and environmental-friendly fertilization", carried out service activities such as free soil-testing and fertilization as well as soil organic matter enhancement based on the soil properties in various regions, provided guidance to farmers in terms of on-demand fertilization and scientific fertilization according to the local conditions, played an active role in increasing the grain output and the farmers' income and made constant efforts to enhance the utilization rate of fertilizers, save the resources and protect the environment. The Group aimed to "serve the Chinese farmers wholeheartedly", actively built the service system for agronomic knowledge dissemination and on-site service guidance, helped more farmers to have access to scientific farming and management knowledge through professional service teams and service philosophy and constantly provided timely, professional and heartfelt agronomic services for the farmers.

In the first half of 2014, the Group and the Planting Industry Management Department, Ministry of Agriculture signed the Memorandum of Understanding on Cooperation of Scientific Fertilization Promotion, and the campaign to create demonstration counties for agronomic service and formula fertilization promotion through the cooperation between farmers and enterprises was kicked off on 2 April, 2014 in Yiyang, Hunan province. Both parties decided to jointly launch the campaign to create demonstration counties for agronomic service and formula fertilization promotion through the cooperation between farmers and enterprises from 2014 to 2016 and full cooperation will be carried out in terms of fertilizer formula development and publishment, formula fertilizer production and supply, formula fertilizer production and demand docking, scientific fertilization promotion and training as well as fertilization guidance service for farmers. The cooperation aimed at enhancing the utilization rate of fertilizers and promoting sustainable development of agriculture, focused on formula fertilizer promotion and fertilization method improvement, identified a series of major grain production cities or counties, major vegetable production counties and counties with a competitive edge in special economic crops in the most suitable areas for grain and economic crop production, jointly launched the campaign to create demonstration counties for agronomic service and formula fertilization promotion through the cooperation between farmers and enterprises, vigorously promoted the philosophy of scientific fertilization, strengthened technological training and guidance service, collectively promoted new technologies on scientific fertilization, further increased the coverage rate of soil testing and formula fertilization technologies, promoted formula fertilizer among farmers in the villages for application in the field, built a group of typical templates that can be replicated and promoted, explored the long-term mechanism for formula fertilizer promotion through the cooperation between farmers and enterprises, gradually enhanced the scientific fertilization level of farmers and promoted the increase of grain output and improvement of agricultural efficiency as well as the transformation and upgrading of the fertilizer industry.

In 2014, together with the Planting Industry Management Department, Ministry of Agriculture and the National Agro-Tech Extension and Service Centre (NATESC), the Group selected 19 major grain production counties (cities) and areas with an advantage in economic crop production in 11 provinces (regions) such as Hunan, Heilongjiang and Henan to carry out activities to create demonstration counties for agronomic service and formula fertilization promotion through the cooperation between farmers and enterprises, further promoted the soil testing and formula fertilization technologies among farmers in the villages, extended the coverage of formula fertilization, changed the fertilization methods of farmers and enhanced the scientific fertilization level.

2014 is the fourth year of formal cooperation between the Group and the Department of Science & Education, Ministry of Agriculture. Based on the cooperation in the past, the Group continued to work with the Department of Science & Education, Ministry of Agriculture to carry out the scientific and technological program of "Double-growth 200" for corn in Northeast China and jointly promoted the increase of corn output and farmers' income in Northeast China. In the first half of 2014, together with the Ministry of Agriculture, the Group held the summing-up meeting for the scientific and technological program of "Double-growth 200" for corn in Northeast China and the launching ceremony of the "3rd Sinochem Cup King Corn Challenge Competition" in Shenyang, Liaoning province, decided to select 27 demonstration counties and over 400 villages in the 3 provinces in Northeast China, Inner Mongolia Autonomous Region and Agriculture Bureau of Heilongjiang to carry out activities benefiting the farmers such as agricultural technology promotion and training of new vocational farmers and actively promoted technologies including precision seeding and compact planting of corn, integration of water and fertilizer, drip irrigation under plastic film, sowing the seed and applying the fertilizer at the same time and mechanized harvesting by cooperating with national corn industry system experts and scientific institutions and colleges and universities in Northeast China.

In the future, the Group will continue to focus on the development of modern agriculture and the scientific and technological demand of farmers, deepen cooperation with the Chinese government, scientific institutions and colleges and universities, centred on key projects such as soil testing and fertilization, combination of agricultural machinery and agronomy, integration of water and fertilizer and integrated solution method for crops, integrate the internal and external resources of the Group, constantly make innovations in terms of service measures and continue to provide high-quality, professional and high-efficiency comprehensive service for Chinese farmers.

The Group continued to strengthen HSE management, combined it with production operation and the enterprise's sustainable development, built a professional HSE team, strengthened the building and training of HSE system in the headquarters and relevant key enterprises, constantly promoted corrective actions for potential safety hazard. Substantial progress was achieved in energy conservation and emission reduction and the four obligatory indicators – total energy consumption, energy consumption per RMB10,000 output value, SO_2 and COD were all substantially reduced.

OUTLOOK

In the second half of 2014, the growth of the Chinese economy will face relatively big pressure and the Chinese government will continue to promote domestic demand expansion and steady growth to maintain the stable economic development in China. With the release of the benefits from both the reform and restructuring, China's economic growth may increase steadily and the general development trend shows steady progress this year.

The 18th Central Committee of the Communist Party of China proposed to: guarantee key grain supply and ensure national grain safety; improve contracted land management rights, accelerate the construction of new agricultural management system, promote large-scale agricultural production and management modernization; develop sustainable agriculture, reduce environmental pollution and ecological damage. The No.1 Document in 2014 (the "Document") continued to focus on agriculture for the 11th time in a row and highlighted that "rural reform should be deepened and agricultural modernization be promoted". The Document identified grain safety as a national strategy for the first time, required that grain (corn, etc.) should be basically self-sufficient and provisions (wheat and rice) be definitely safe; highlighted that a long-term mechanism for sustainable development of agriculture should be set up, the utilization of high-efficiency fertilizers, organic fertilizers and low-residue pesticides be increased; meanwhile, a target price system for agricultural products should be introduced and market-oriented agricultural products price be realized, which will help further enhance the enthusiasm of the farmers. The constant attention and input of the Chinese government to the development of agriculture lays a solid foundation for the continuous development of the fertilizer industry. With the implementation of follow-up policies to benefit the farmers, domestic fertilizer market will further gain stable and long term growth momentum.

In the future, the domestic fertilizer market will still suffer from excessive oversupply and the trend of recombination and integration in both production and distribution sectors will speed up. Against a severe market competition environment, as a leading enterprise in China's fertilizer industry, the Group will implement market-orientated strategies with the support of resource and technology as well as lean management, further promote the integration of mine and fertilizer, the integration of fertilizer and chemicals, the integration of production and marketing and the integration of product and service, in order to build a sustainable commercial model and operation model, strive to become a global leading provider of agricultural inputs and agrochemical services, realize sustainable development of the Group, create value for shareholders, and make greater contribution to national food security and industrial development.

Management Discussion and Analysis

In the first half of 2014, no obvious improvement was seen in the supply and demand situation of the fertilizer market with fertilizer prices at a low level. Under such circumstances, the Group actively took measures on the premise of strictly controlling the market risks to promote business transformation and innovation, which resulted in gaining profits instead of suffering losses. For the six months ended 30 June 2014, sales volume of the Group was 8.25 million tons, and turnover was RMB15,881 million, down by 9.74% and 22.83% respectively compared to the corresponding period in 2013.

For the six months ended 30 June 2014, gross profit of the Group was RMB738 million, down by 34.22% compared to the corresponding period in 2013; profit attributable to shareholders of the Company was RMB138 million, down by 60.80% from RMB352 million for the six months ended 30 June 2013.

I. OPERATION SCALE

1. *Sales volume*

For the six months ended 30 June 2014, sales volume of the Group was 8.25 million tons, down by 9.74% from 9.14 million tons for the six months ended 30 June 2013, which was mainly due to the decrease of 930,000 tons in sales volume of nitrogen compared to the corresponding period in 2013 since the Group reduced the procurement and sales of nitrogen for the sake of controlling risks against the downward trend of nitrogen price in the first half of 2014. Apart from nitrogen, sales volume of other fertilizers was basically stable and market share of all fertilizers still maintained a leading status.

2. *Turnover*

For the six months ended 30 June 2014, turnover of the Group was RMB15,881 million, down by RMB4,699 million, or 22.83% compared to the corresponding period in 2013. The main reason for the decrease in turnover was that the market price of fertilizers was still at a low level and sales volume of the Group decreased compared to the corresponding period of 2013. In the first half of 2014, the average selling price of the Group decreased by 14.48% compared to the corresponding period of 2013.

The breakdown of turnover by products of the Group for the six months ended 30 June 2014 and the corresponding period in 2013 is as follows:

Table 1:

	For the six months ended 30 June			
	2014		2013	
	Turnover RMB'000	**As percentage of total turnover**	Turnover RMB'000	As percentage of total turnover
Potash Fertilizers	**3,400,949**	**21.42%**	4,325,097	21.02%
Nitrogen Fertilizers	**4,606,627**	**29.01%**	7,465,099	36.27%
Compound Fertilizers	**3,111,137**	**19.59%**	3,292,146	16.00%
Phosphate Fertilizers	**3,761,262**	**23.68%**	4,754,069	23.10%
MCP/MDCP	**316,682**	**1.99%**	314,735	1.53%
Others	**684,049**	**4.31%**	428,927	2.08%
Total	**15,880,706**	**100.00%**	20,580,073	100.00%

3. *Segment revenue and segment results*

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

The following is an analysis of the Group's turnover and profit by operating segments for the six months ended 30 June 2014 and the corresponding period in 2013:

Table 2:

	For the six months ended 30 June 2014			
	Marketing RMB'000	**Production RMB'000**	**Elimination RMB'000**	**Total RMB'000**
Turnover				
External revenue	**14,510,838**	**1,369,868**	**–**	**15,880,706**
Internal revenue	**488,104**	**1,316,310**	**(1,804,414)**	**–**
Segment revenue	**14,998,942**	**2,686,178**	**(1,804,414)**	**15,880,706**
Segment gross profit	**587,095**	**150,941**	**–**	**738,036**
Segment profit/(loss)	**288,344**	**(111,505)**	**–**	**176,839**

	For the six months ended 30 June 2013			
	Marketing RMB'000	Production RMB'000	Elimination RMB'000	Total RMB'000
Turnover				
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

Segment profit/(loss) represents the profit/(loss) earned by each segment without taking into account of unallocated expenses/income, share of results of associates and joint ventures and finance costs. Such information was reported to the most senior executive management for the purpose of resources allocation and assessment of segment performance.

The Group's segment results for the six months ended 30 June 2014 decreased by RMB224 million, or 55.86% compared to the corresponding period in 2013, which was mainly due to the decrease of RMB214 million in the profit of production segment compared to the corresponding period in 2013. Due to the impacts of the sluggish fertilizer prices and fertilizer oversupply contradiction, the fall range in the product selling price is much wider than that of raw materials, thus resulting in the further decrease of the segment gross profit and the notable decline in the segment profit.

II. PROFIT

1. Gross profit

For the six months ended 30 June 2014, gross profit of the Group was RMB738 million, down by RMB384 million or 34.22% compared to the corresponding period in 2013, mainly due to the decline in fertilizer prices and sales volume.

The gross profit margin of the Group was 4.65%, down by 0.8 percentage point compared to the corresponding period in 2013, which was mainly due to that the profit of the Group was further squeezed because of the sluggish market prices.

2. Share of results of joint ventures and associates

Share of results of joint ventures: For the six months ended 30 June 2014, share of results of joint ventures of the Group were a loss of RMB32 million, decreased by RMB41 million from a gain of RMB9 million in the corresponding period in 2013, which was mainly due to insufficient operation in capacity and big decline in gross profit affected by the weak phosphate market, Yunnan Three-Circles Sinochem Fertilizer Co., Ltd. ("**Three Circles–Sinochem**"), one of the Group's joint ventures, suffered losses in the first half of 2014.

Share of results of associates: For the six months ended 30 June 2014, share of results of associates of the Group amounted to RMB20 million, down by RMB64 million or 76.19% over that of RMB84 million in the corresponding period in 2013. This was mainly due to that the profit of Qinghai Salt Lake Industry Co., Ltd. ("**Qinghai Salt Lake**"), one of the associates of the Group, declined compared to the corresponding period in 2013 along with dropping potash performance against the falling potash selling price and currently low profitability for the chemicals project of comprehensive utilization on its test run phase in the first half of 2014. In addition, Yangmei Pingyuan Chemicals Co., Ltd. ("**Yangmei Pingyuan**"), one of the associates of the Group, suffered losses in the downward trend of nitrogen price in the first half of 2014.

3. *Income tax expenses*

For the six months ended 30 June 2014, income tax expenses for the Group were RMB44 million, down by RMB37 million over the corresponding period of 2013. This was mainly due to the decrease of taxable profits of various companies as a result of the weak fertilizer market in the first half of 2014.

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 2014, profit attributable to shareholders of the Company was RMB138 million, down by RMB214 million compared to the corresponding period in 2013.

For the six months ended 30 June 2014, net profit margin of the Group, calculated by dividing profit attributable to shareholders of the Company by turnover, was 0.87%.

III. EXPENDITURES

For the six months ended 30 June 2014, total expenses were RMB721 million, down by RMB72 million or 9.08% over that of RMB793 million in the corresponding period in 2013. The expenditure details are as follows:

Selling and distribution expenses: For the six months ended 30 June 2014, selling and distribution expenses were RMB396 million, up by RMB8 million or 2.06% over that of RMB388 million in the corresponding period in 2013, which was mainly due to the increase of logistics cost resulted from the rising railway transportation expenses compared to the corresponding period in 2013.

Administrative expenses: For the six months ended 30 June 2014, administrative expenses were RMB228 million, down by RMB53 million or 18.86% over that of RMB281 million in the corresponding period in 2013, which was mainly due to that the Group continuously adhered to the operational principle of cost reduction and efficiency improvement and strictly controlled the expenses under the circumstance of sluggish market environment, thus leading to the decrease of administrative expenses compared to the corresponding period in 2013.

Finance costs: For the six months ended 30 June 2014, finance costs were RMB97 million, down by RMB27 million or 21.77% over that of RMB124 million in the corresponding period in 2013, which was mainly due to that: (1) the decrease in average loan size led to the reduction of finance costs by RMB16 million, and (2) the decline of weighted average borrowing rate resulted in the decrease of finance costs by RMB11 million compared to the corresponding period in 2013.

IV. OTHER INCOME AND GAINS

For the six months ended 30 June 2014, the Group's other income and gains amounted to RMB134 million, up by RMB18 million or 15.52% over that of RMB116 million in the corresponding period in 2013, which was mainly due to that the Group constantly improved the capital utilization by investing in principal secured financial products with spare capital, and the investment income increased by RMB18 million compared to the corresponding period of 2013.

V. OTHER EXPENSES AND LOSSES

For the six months ended 30 June 2014, the Group's other expenses and losses amounted to RMB21 million, down by RMB91 million or 81.25% over that of RMB112 million in the corresponding period in 2013, which was mainly due to that the Group accelerated the inventory turnover and reduced inventory costs in the downward market environment, and the provision for the written-down of inventory decreased by RMB96 million compared to the corresponding period of 2013.

VI. INVENTORY TURNOVER

The inventory balance of the Group as at 30 June 2014 was RMB3,866 million, down by RMB527 million or 12.00% over that of RMB4,393 million as at 31 December 2013. Inventory turnover days *(Note)* decreased from 53 days in 2013 to 49 days for the first half of 2014 as the Group accelerated the inventory turnover and lowered the inventory risk by continuously sticking to its operational strategy of "quick-buy-and-quick-sell".

Note: Inventory turnover days for the six months ended 30 June 2014 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 2013 was calculated on the basis of average inventory balance as at the beginning and the end of the year ended 31 December 2013 divided by cost of goods sold in 2013, 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 2014 was RMB1,104 million, down by RMB146 million or 11.68% over that of RMB1,250 million as at 31 December 2013, which was mainly due to that the Group strictly controlled the credit scale for the sake of risk prevention in the sluggish market environment, thus leading to the decrease in the balance of trade and bills receivables as at 30 June 2014 over that as at 31 December 2013.

Trade and bills receivables turnover days *(Note)* of the Group for the first half of 2014 were 13 days, and maintained relatively stable over that of 12 days for the year of 2013.

Note: Turnover days for the first half of 2014 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 2013 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 2013 divided by turnover in 2013, and multiplied by 360 days.

VIII. INTERESTS IN JOINT VENTURES

The balance of the Group's interests in joint ventures as at 30 June 2014 was RMB517 million, down by RMB32 million or 5.83% over that of RMB549 million as at 31 December 2013, which was mainly due to the decline of results of joint ventures by shares held by the Group. Among them, the share of losses attributable to Three Circles-Sinochem was RMB37 million and the share of profit attributable to Yunnan Three Circles-Sinochem-Mosaic Fertilizer Co., Ltd. was RMB4 million in the current period.

IX. INTERESTS IN ASSOCIATES

The balance of the Group's interests in associates as at 30 June 2014 was RMB8,256 million, up by RMB20 million or 0.24% over that of RMB8,236 million as at 31 December 2013, which was mainly due to the increase of results of associates by shares held by the Group in the first half of 2014. Among them, the share of profit attributable to Qinghai Salt Lake and Guizhou Xinxin Industrial and Agricultural Trading Co., Ltd. were RMB28 million and RMB9 million respectively for the current period and share of losses attributable to Yangmei Pingyuan was RMB18 million.

X. AVAILABLE-FOR-SALE INVESTMENTS

The balance of the Group's available-for-sale investments as at 30 June 2014 was RMB381 million, up by RMB8 million or 2.14% over that of RMB373 million as at 31 December 2013. As at 30 June 2014, the Group revalued the investment in shares held in China XLX Fertiliser Limited based on its fair value and the number of shares held, and recorded a RMB8 million increase in value.

XI. INTEREST-BEARING BORROWINGS

As at 30 June 2014, the balance of the Group's interest bearing borrowings was RMB4,792 million, up by RMB881 million or 22.53% over that of RMB3,911 million as at 31 December 2013, which was mainly due to that the Group increased its short-term borrowings to replenish the liquid fund.

In April 2014, the Group fully settled one-year commercial paper of RMB1 billion issued in the corresponding period of 2013.

XII. TRADE AND BILLS PAYABLES

As at 30 June 2014, the balance of the Group's trade and bills payables was RMB3,557 million, up by RMB938 million or 35.82% over that of RMB2,619 million as at 31 December 2013, which was mainly due to that the price of imported potash was confirmed in the beginning of 2014, and the imported fertilizers arrived gradually in the first half of 2014 with a credit term of 90 days provided by suppliers, thus leading to the increase of the balance of trade and bills payables.

XIII. OTHER FINANCIAL INDICATORS

Basic earnings per share for the six months ended 30 June 2014 was RMB0.0196, down by RMB0.0305 over that of RMB0.0501 in the corresponding period in 2013. Return on equity (ROE) for the six months ended 30 June 2014 was 1.04%, down by 1.48 percentage points over that of 2.52% in the corresponding period in 2013.

Table 3:

	For the six months ended 30 June	
	2014	2013
Profitability		
Earnings per share (RMB) *(Note a)*	**0.0196**	0.0501
ROE *(Note b)*	**1.04%**	2.52%

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 2014, the Group's current ratio was 1.20, and the debt-to-equity ratio was 35.74%, representing a stable financial structure.

Table 4:

	As at 30 June 2014	As at 31 December 2013
Solvency		
Current ratio *(Note a)*	**1.20**	1.17
Debt-to-Equity ratio *(Note b)*	**35.74%**	29.43%

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).

XIV. 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 bonds. 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 2014, cash and cash equivalents of the Group amounted to RMB467 million, which were denominated mainly in Renminbi and US dollars.

Below is an analysis of the Group's interest-bearing borrowings:

Table 5:

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Unsecured	**2,304,511**	425,335
Short-term Commercial Paper	**–**	1,000,000
Bonds		
Principal	**2,500,000**	2,500,000
Less: amortized trading cost	**(12,690)**	(13,865)
Total	**4,791,821**	3,911,470

Table 6:

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Within one year	**2,104,511**	1,425,335
Over one year, but within five years	**200,000**	–
Over five years	**2,487,310**	2,486,135
Total	**4,791,821**	3,911,470

Table 7:

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Fixed interest rate	**4,791,821**	3,811,470
Floating interest rate	**–**	100,000
Total	**4,791,821**	3,911,470

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

As at 30 June 2014, the Group had banking facilities of RMB28,191 million, including USD1,905 million and RMB16,470 million. The amount of utilized banking facilities consisted of USD281 million and RMB424 million, while the unutilized banking facilities consisted of USD1,624 million and RMB16,046 million.

XV. 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 has been closely monitoring and strictly controlling the above-mentioned risks to reduce the potential adverse impacts on the Group's financial performance.

Credit risk

The Group's greatest credit risk is that the counterparties fail to perform their obligations with regard to the book value of all kinds of recognized financial assets, which have been confirmed and recorded in the condensed consolidated statement of financial position as at 30 June 2014. The Group has adequate monitoring procedures in respect of granting credit line, credit approval and other related aspects so as to 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 and stuck to the terms of banking loans.

XVI. CONTINGENT LIABILITIES

As at 30 June 2014, the Group had no material contingent liabilities.

XVII. CAPITAL COMMITMENT

Table 8:

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Capital expenditure in respect of property, plant and equipment:		
Contracted but not provided for	**433,178**	373,729
Authorized but not contracted for	**862,232**	1,156,236
Total	**1,295,410**	1,529,965

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

XVIII. MAJOR INVESTMENTS

For the six months ended 30 June 2014, the Group had no material investments.

XIX. REMUNERATION POLICY

The key components of the Group's remuneration package include basic salary, and where applicable, other allowances, incentive bonus, mandatory provident funds and state-managed retirement benefits scheme. 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 the ratio of incentive bonus to total remuneration. This can help the Group to recruit, retain and motivate high-caliber employees required for the development of the Group and to avoid offering excess 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 2014, the Group had about 7,394 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 2014, the Group provided about 7,190 hours of training in aggregate for about 1,718 person-times (trainings held by subsidiaries excluded). The training courses covered areas such as 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 2014	• The Group and the Planting Industry Management Department of the Ministry of Agriculture (MOA) signed "Memorandum of Understanding on Cooperation of Scientific Fertilization Promotion". The two parties would conduct comprehensive cooperation with regards to fertilizer formula development and publishment, production and supply of formula fertilizer, connecting the production and demand of formula fertilizer, promoting and training on scientific fertilization, and providing guidance to farmers on fertilization. • The Group and Dow AgroSciences (DAS) held the signing ceremony of strategic cooperation on Entrench® Nitrogen Stabiliser in Beijing. DAS would authorize Sinochem Fertilizer Co., Ltd., a subsidiary of the Group, to exclusively develop the marketing of Entrench® Nitrogen Stabiliser in China.
February 2014	• Campaign of Setting up Demonstration Counties of Agrichemical Service and Jointly Promoting Formula Fertilization between the Group and the Planting Industry Management Department of the Ministry of Agriculture was kicked off.
March 2014	• Mr. Wang Hong Jun succeeded Mr. Feng Zhi Bin as the Chief Executive Officer of the Company. • Two patents of Sinochem Shandong Fertilizer Co., Ltd., a subsidiary of the Group, were authorized, i.e. "An Ammonia-acid Process of Direct Granulation in Producing Chelate Compound Fertilizer" and "A Spray Granulation Process of Producing Organic Chelate Compound Fertilizer".
April 2014	• Two large facilities of the urea zone of the renovation and expansion of Sinochem Jilin Changshan Chemical Co., Ltd. ("Sinochem Changshan"), a subsidiary of the Group, were hoisted and installed successfully. The two facilities were CO_2 stripper and urea synthesizer. • The Group sent a delegation to attend 2014 FMB Asia Fertilizer Conference in Beijing. • The Group hosted "Sinofert Day" exchange activities with Canpotex in Shanghai. • Sinochem Changshan, a subsidiary of the Group, was shortlisted for the first group of enterprises of "Access Conditions for Ammonia Industry" by the Ministry of Industry and Information Technology.
May 2014	• Wang Hong Jun, CEO of the Company, and Sinofert's delegation attended the 82nd International Fertilizer Industry Association (IFA) Annual Conference in Sydney, Australia. • Sinochem Changshan, a subsidiary of the Group, was shortlisted for the first group of enterprises on Working Plans and Pilot Projects of Implementing Standards on Integrating Industrialization and Informatization by the Ministry of Industry and Information Technology. • The science and technology initiative of "Double Growth 200"for corn in northeast China and "The 3rd Sinochem Cup King Corn Challenge Competition" co-organized by the Group and the Ministry of Agriculture were kicked off.
June 2014	• Sinochem Yunlong Co., Ltd., a subsidiary of the Group, was granted the title of being one of the "4th Group of Enterprises of National Green Mines Pilot Enterprises".

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 48 which comprises the condensed consolidated statement of financial position of Sinofert Holdings Limited as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income and 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 2014 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

21 August 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014 – Unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June 2014 RMB'000	2013 RMB'000
Turnover	3	**15,880,706**	20,580,073
Cost of sales		**(15,142,670)**	(19,458,051)
Gross profit		**738,036**	1,122,022
Other income and gains		**134,345**	116,099
Selling and distribution expenses		**(396,172)**	(388,351)
Administrative expenses		**(228,386)**	(281,474)
Other expenses and losses		**(21,493)**	(111,557)
Share of results of associates		**19,902**	84,303
Share of results of joint ventures		**(32,148)**	8,973
Finance costs	4(a)	**(97,477)**	(123,850)
Profit before taxation	4	**116,607**	426,165
Income tax expenses	5	**(43,868)**	(81,487)
Profit for the period		**72,739**	344,678
Profit/(Loss) for the period attributable to:			
– Owners of the Company		**137,555**	352,260
– Non-controlling interests		**(64,816)**	(7,582)
		72,739	344,678

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014 – Unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June 2014 RMB'000	 2013 RMB'000
Profit for the period		**72,739**	344,678
Other comprehensive income/(expenses)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**31,631**	(54,945)
Changes in fair value of available-for-sale investments		**6,733**	8,901
Other comprehensive income/(expenses) for the period		**38,364**	(46,044)
Total comprehensive income for the period		**111,103**	298,634
Total comprehensive income attributable to:			
– Owners of the Company		**175,919**	306,216
– Non-controlling interests		**(64,816)**	(7,582)
		111,103	298,634
Earnings per share	6		
Basic (RMB)		**0.0196**	0.0501
Diluted (RMB)		**0.0196**	0.0501

The notes on pages 32 to 48 form part of this interim financial report. Details of dividends payable to owners of the Company are set out in note 14.

Condensed Consolidated Statement of Financial Position

At 30 June 2014 – Unaudited

(Expressed in Renminbi)

	Note	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Non-current assets			
Property, plant and equipment	*7*	**3,440,779**	3,312,182
Prepaid lease payments		**502,354**	507,169
Mining rights		**690,899**	707,169
Goodwill	*8*	**814,066**	811,356
Other long-term assets		**7,838**	10,450
Interests in associates		**8,255,502**	8,236,002
Interests in joint ventures		**517,138**	549,286
Available-for-sale investments		**380,860**	373,242
Advance payments for acquisition of property, plant and equipment		**35,866**	30,270
Deferred tax assets		**291,385**	337,172
		14,936,687	14,874,298
Current assets			
Inventories		**3,866,403**	4,393,037
Trade and bills receivables	*9*	**1,104,111**	1,250,244
Other receivables and advance payments		**1,189,757**	1,375,907
Loans to an associate		**747,000**	887,000
Prepaid lease payments		**12,020**	13,215
Other deposits	*10*	**1,876,800**	671,800
Bank balances and cash		**466,547**	363,782
		9,262,638	8,954,985
Current liabilities			
Trade and bills payables	*11*	**3,556,726**	2,618,789
Other payables and receipt in advance	*12*	**2,019,117**	3,570,273
Interest-bearing borrowings – due within one year	*13*	**2,104,511**	425,335
Short-term commercial paper	*13*	**–**	1,000,000
Tax liabilities		**11,569**	16,308
		7,691,923	7,630,705
Net current assets		**1,570,715**	1,324,280
Total assets less current liabilities		**16,507,402**	16,198,578

Condensed Consolidated Statement of Financial Position

At 30 June 2014 – Unaudited

(Expressed in Renminbi)

	Note	**At 30 June 2014 RMB'000**	At 31 December 2013 RMB'000
Non-current liabilities			
Interest-bearing borrowings – due after one year	*13*	**2,687,310**	2,486,135
Deferred income		**117,309**	122,456
Deferred tax liabilities		**252,691**	259,082
Other long-term liabilities		**41,339**	37,928
		3,098,649	2,905,601
NET ASSETS		**13,408,753**	13,292,977
CAPITAL AND RESERVES			
Issued equity		**8,267,384**	8,267,384
Reserves		**4,995,984**	4,820,065
Total equity attributable to owners of the Company		**13,263,368**	13,087,449
Non-controlling interests		**145,385**	205,528
TOTAL EQUITY		**13,408,753**	13,292,977

The notes on pages 32 to 48 form part of this interim financial report.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014 – 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	**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 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/(Loss) for the period	–	–	–	–	–	–	–	352,260	352,260	(7,582)	344,678
Other comprehensive income/ (expenses) for the period	–	–	–	–	8,901	–	(54,945)	–	(46,044)	–	(46,044)
Total comprehensive income/ (expenses) for the period	–	–	–	–	8,901	–	(54,945)	352,260	306,216	(7,582)	298,634
Energy-saving and emission reduction fund *(Note d)*	–	–	–	–	–	5,120	–	–	5,120	–	5,120
Maintenance and production fund *(Note d)*	–	–	–	–	–	2,656	–	(2,656)	–	–	–
Dividends approved in respect of the previous year	–	–	–	–	–	–	–	(131,045)	(131,045)	–	(131,045)
Paid-in capital contributed by non-controlling interests	–	–	–	–	–	–	–	–	–	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
Balance at 1 January 2014	8,267,384	255,531	476,798	366,484	16,444	92,705	(844,466)	4,456,569	13,087,449	205,528	13,292,977
Profit/(Loss) for the period	–	–	–	–	–	–	–	137,555	137,555	(64,816)	72,739
Other comprehensive income for the period	–	–	–	–	6,733	–	31,631	–	38,364	–	38,364
Total comprehensive income/ (expenses) for the period	–	–	–	–	6,733	–	31,631	137,555	175,919	(64,816)	111,103
Maintenance and production fund *(Note d)*	–	–	–	–	–	(145)	–	145	–	–	–
Paid-in capital contributed by non-controlling interests	–	–	–	–	–	–	–	–	–	24,500	24,500
Derecognition of a subsidiary	–	–	–	–	–	–	–	–	–	(19,827)	(19,827)
Balance at 30 June 2014	8,267,384	255,531	476,798	366,484	23,177	92,560	(812,835)	4,594,269	13,263,368	145,385	13,408,753

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 ("Sinochem Group", established in the People's Republic of China (the "PRC")), and difference between the carrying amount of non-controlling interests acquired and the fair value of consideration paid.

c. Statutory reserve comprises reserve fund and enterprise expansion fund. In accordance with relevant rules and regulations on foreign investment enterprise established in 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 used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors.

d. Other reserve comprises 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 48 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014 – Unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Operating activities		
Cash generated from operations	**782,250**	1,221,466
Income tax paid	**(9,211)**	(15,986)
Net cash generated from operating activities	**773,039**	1,205,480
Investing activities		
Purchase of property, plant and equipment	**(279,868)**	(232,400)
Proceeds from disposals of property, plant and equipment	**761**	25
Consideration payments for acquisition of a subsidiary	**–**	(395,000)
Acquisition of other long-term assets	**(1,043)**	(2,045)
Placement of other deposits	**(7,635,000)**	(14,077,590)
Proceeds from withdrawal of other deposits	**6,430,000**	13,332,000
Interest received	**58,339**	37,931
Decrease in pledged bank deposits	**–**	2
Repayments of loans to an associate	**140,000**	400,000
Dividends received from an associate	**511**	510
Dividends received from a joint venture	**–**	5,392
Derecognition of a subsidiary	**(19,827)**	–
Dividends received from an available-for-sale investment	**3,059**	3,843
	(1,303,068)	(927,332)
Financing activities		
Repayments of borrowings	**(5,063,491)**	(4,871,932)
Proceeds from new borrowings	**5,731,936**	4,736,851
Interests paid	**(60,335)**	(59,469)
Dividends paid	**–**	(131,045)
Capital contribution from non-controlling shareholders	**24,500**	29,400
	632,610	(296,195)
Net increase/(decrease) in cash and cash equivalents	**102,581**	(18,047)
Cash and cash equivalents as at 1 January	**363,782**	334,682
Effect of foreign exchange rates changes	**184**	(341)
Cash and cash equivalents at 30 June	**466,547**	316,294

The notes on pages 32 to 48 form part of this interim financial report.

Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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 21 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of any 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 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by the Company's Audit Committee. 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 2013 that is included in this interim financial report as being previously reported information and does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2014.

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. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- HK(IFRIC) 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have any impact on the Group's interim financial report as the Company and its subsidiaries do not qualify to be investment entities.

Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have any material impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The amendments do not have any material impact on the Group's interim financial report.

HK(IFRIC) 21, *Levies*

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have any material impact on the Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.

3 SEGMENT REPORTING

The Group's operating segments based on information reported to the chief operating decision maker ("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.

	For the six months ended 30 June 2014			
	Marketing RMB'000	Production RMB'000	Elimination RMB'000	Total RMB'000
Revenue				
External revenue	14,510,838	1,369,868	–	15,880,706
Internal revenue	488,104	1,316,310	(1,804,414)	–
Segment revenue	14,998,942	2,686,178	(1,804,414)	15,880,706
Segment gross profit	587,095	150,941	–	738,036
Segment profit/(loss)	288,344	(111,505)	–	176,839
Share of results of associates	555	19,347	–	19,902
Share of results of joint ventures	(79)	(32,069)	–	(32,148)
Unallocated expenses				(26,861)
Unallocated income				76,352
Finance costs				(97,477)
Profit before taxation				116,607
As at 30 June 2014				
Segment assets	5,841,613	6,214,200	–	12,055,813
Segment liabilities	7,016,320	921,848	–	7,938,168

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 31 December 2013				
Segment assets	6,141,681	6,695,368	–	12,837,049
Segment liabilities	5,139,128	1,148,809	–	6,287,937

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/(loss) represents the profit/(loss) 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	
	2014	2013
	RMB'000	RMB'000
Interests on borrowings		
– wholly repayable within five years	**33,802**	60,175
– not wholly repayable within five years	**63,675**	63,675
	97,477	123,850

No capitalized interest expense occurred during the period of six months ended 30 June 2014 and 2013.

(b) Other items

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Depreciation of property, plant and equipment	**148,149**	145,239
Release of prepaid lease payments	**6,010**	5,956
Amortization of mining rights	**16,330**	16,438
Amortization of other long-term assets	**4,354**	4,078
Write-down of inventories	**10,539**	106,685
Deferred income released	**(5,147)**	(4,050)
Reversal of allowance provided for receivables	**(10,800)**	(20)
Loss on disposal of property, plant and equipment	**177**	4

5 INCOME TAX EXPENSES

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Current tax – Hong Kong Profits Tax	**–**	–
Current tax – PRC Enterprise Income Tax	**4,472**	17,889
Deferred taxation	**39,396**	63,598
	43,868	81,487

(i) The provision for Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the six months ended 30 June 2014.

(ii) The provision for the PRC Enterprise Income Tax is based on the statutory rate of 25% (2013: 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 2014, 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	
	2014	2013
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic/diluted earnings per share	**137,555**	352,260
	'000 shares	'000 shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic/diluted earnings per share	**7,024,456**	7,024,456

7 PROPERTY, PLANT AND EQUIPMENT

Disposals

During the six months ended 30 June 2014, items of property, plant and equipment with a net book value of RMB938,000 were disposed of during the six months ended 30 June 2014 (the corresponding period in 2013: RMB29,000), resulting in a loss on disposal of RMB177,000 (the corresponding period in 2013: RMB4,000).

8 GOODWILL

	2014 RMB'000	2013 RMB'000
COST		
At 1 January	**811,356**	820,162
Exchange adjustments	**2,710**	(8,806)
At 30 June/31 December	**814,066**	811,356
IMPAIRMENT LOSSES		
At 1 January	**–**	–
Impairment loss recognized	**–**	–
At 30 June/31 December	**–**	–
CARRYING AMOUNT		
At 30 June/31 December	**814,066**	811,356

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 2014 RMB'000	At 31 December 2013 RMB'000
Marketing	**251,452**	249,044
Production		
– Sinochem Yunlong Co., Ltd. ("**Sinochem Yunlong**")	**531,074**	531,074
– Others	**31,540**	31,238
	814,066	811,356

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 2014 approved by the directors of the Company. The growth rates for the first 3 years from 2015 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 2014 (for the corresponding period in 2013: nil).

9 TRADE AND BILLS RECEIVABLES

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Trade receivables	**302,717**	224,614
Bills receivables	**801,394**	1,025,630
	1,104,111	1,250,244

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 and bills receivables net of allowance for doubtful debts presented based on the invoice date is as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 3 months	**722,862**	507,158
Over 3 months but within 6 months	**366,459**	669,681
Over 6 months but within 12 months	**7,964**	10,034
Over 12 months	**6,826**	63,371
	1,104,111	1,250,244

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.

9 TRADE AND BILLS RECEIVABLES (continued)

Included in the Group's trade receivables are debtors with aggregate carrying amount of RMB39,892,000 (as at 31 December 2013: RMB75,314,000) 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.

10 OTHER DEPOSITS

Other deposits represent principal-protected financial products issued by financial institutions in the PRC, which carried at fixed interest rates from 2.25% to 5.50% per annum. Included in other deposits as at 30 June 2014, balances of approximately RMB1,500,000,000 (as at 31 December 2013: approximately RMB325,000,000) were restricted and can only be withdrawn until maturity. The directors of the Company consider the other deposits as a current asset since the maturity dates are all within one year at the end of the reporting period. All of the other deposits are accounted for as loans and receivables at amortized cost.

11 TRADE AND BILLS PAYABLES

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Trade payables	**3,132,911**	2,329,954
Bills payables	**423,815**	288,835
	3,556,726	2,618,789

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 3 months	**3,166,853**	2,424,658
Over 3 months but within 6 months	**305,704**	113,202
Over 6 months but within 12 months	**40,009**	32,908
Over 12 months	**44,160**	48,021
	3,556,726	2,618,789

12 OTHER PAYABLES AND RECEIPT IN ADVANCE

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Payroll payable	**68,322**	136,578
Consideration payable for acquisition of Sinochem Yunlong	**230,000**	230,000
Others	**318,056**	429,683
Other payables	**616,378**	796,261
Receipt in advance	**1,402,739**	2,774,012
Other payables and receipt in advance	**2,019,117**	3,570,273

13 INTEREST-BEARING BORROWINGS AND SHORT-TERM COMMERCIAL PAPER

(a) The analysis of the carrying amount of interest-bearing borrowings and short-term commercial paper is as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Bank loans, unsecured	**2,304,511**	425,335
Short-term commercial paper *(Note)*	**–**	1,000,000
Bonds		
Principal amount	**2,500,000**	2,500,000
Less: unamortized transaction costs	**(12,690)**	(13,865)
	4,791,821	3,911,470

Note: 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. The Group has fully settled the short-term commercial paper on 25 April 2014.

13 INTEREST-BEARING BORROWINGS AND SHORT-TERM COMMERCIAL PAPER (continued)

(a) *The analysis of the carrying amount of interest-bearing borrowings and short-term commercial paper is as follows: (Continued)*

All of the interest-bearing borrowings and short-term commercial paper are carried at amortized cost.

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Carrying amount repayable:		
Within 1 year	**2,104,511**	1,425,335
Over 1 year, but within 5 years	**200,000**	–
Over 5 years	**2,487,310**	2,486,135
	4,791,821	3,911,470
Less: Amounts due within 1 year shown under current liabilities	**(2,104,511)**	(1,425,335)
Amounts shown under non-current liabilities	**2,687,310**	2,486,135

(b) *Unutilized banking facilities*

As at 30 June 2014, the Group's available unutilized banking facilities were approximately RMB26,036,817,000 (as at 31 December 2013: approximately RMB27,871,316,000).

14 DIVIDENDS

The Board of Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2014 (the corresponding period in 2013: nil).

As the Group did not declare the final dividend for the year ended 31 December 2013, no final dividend was paid during the six months ended 30 June 2014 (the corresponding period in 2013: approximately RMB131,045,000 has been paid).

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

		Fair value measurements as at 30 June 2014 categorised into		
	Fair value at 30 June 2014 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Listed available-for-sale investments	**99,027**	**99,027**	**–**	**–**

		Fair value measurements as at 31 December 2013 categorised into		
	Fair value at 31 December 2013 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Listed available-for-sale investments	91,409	91,409	–	–

During the six months ended 30 June 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2013: 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.

15 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 amortized cost are not materially different from their fair values as at 31 December 2013 and 30 June 2014 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	At 30 June 2014		At 31 December 2013	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Financial liabilities	**2,487,310**	**2,484,615**	2,486,135	2,484,615

16 COMMITMENTS

(a) Capital commitments

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Capital expenditure in respect of property, plant and equipment:		
– Contracted but not provided for	**433,178**	373,729
– Authorized but not contracted for	**862,232**	1,156,236
	1,295,410	1,529,965

(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 2014 RMB'000	At 31 December 2013 RMB'000
Within 1 year	**27,087**	37,510
Over 1 year but within 5 years	**6,792**	12,378
Over 5 years	**–**	1,627
	33,879	51,515

17 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	
	2014	2013
	RMB'000	RMB'000
Sales of fertilizers to		
Ultimate holding company	**15,808**	7,753
Joint ventures	**163,829**	155,955
	179,637	163,708
Purchases of fertilizers from		
Ultimate holding company	**102,414**	225,440
Joint ventures	**582,581**	926,648
Associates	**417,691**	711,808
A subsidiary of a shareholder with significant influence over the Company	**5,328**	6,783
	1,108,014	1,870,679
Import service fee paid to		
Fellow subsidiary	**8,345**	6,983
Ultimate holding company	**2,077**	1,999
	10,422	8,982
Office rental fee paid to		
Immediate holding company	**1,936**	2,597
Fellow subsidiaries	**11,069**	10,440
	13,005	13,037

17 RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

	Six months ended 30 June 2014 RMB'000	2013 RMB'000
Repayments of loans to an associate	**140,000**	400,000
Interest income due from an associate	**26,011**	30,807
Loans from the immediate holding company	**1,938,132**	–
Interests expenses for loans from related parties		
Immediate holding company	**213**	–
Ultimate holding company	**1,418**	–
	1,631	–

(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 2014 RMB'000	At 31 December 2013 RMB'000
Other receivables		
Beijing Chemsunny Property Co., Ltd.	**4,273**	4,273
Yangmei Pingyuan Chemical Co., Ltd. ("**Yangmei Pingyuan**")	**1,014**	1,014
	5,287	5,287
Advance payments to suppliers		
Gansu Wengfu Chemical Co., Ltd.	**34,838**	49,779
Yangmei Pingyuan	**9,825**	–
Qinghai Salt Lake Industry Co., Ltd. ("**Qinghai Salt Lake**")	**–**	5,428
	44,663	55,207
Loans to an associate		
Yangmei Pingyuan	**755,324**	889,296

17 RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties (continued)

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Trade payables		
Sinochem Group	1,430,353	1,407,219
Yunnan Three Circles-Sinochem Fertilizers Co., Ltd.	187,090	157,756
Guizhou Xinxin Industrial and Agricultural Trading Co., Ltd.	13,761	13,761
Qinghai Salt Lake	4,099	–
Yangmei Pingyuan	–	6,843
	1,635,303	1,585,579
Other payables		
Sinochem Group	1,418	200,000
Sinochem (United Kingdom) Limited	5,247	–
Sinochem Hong Kong (Group) Co., Ltd. ("**Sinochem HK**")	213	–
Yangmei Pingyuan	47,675	47,675
	54,553	247,675
Receipt in advance		
Yunnan Three Circles-Sinochem-Mosaic Fertilizers Co., Ltd.	5,963	11,672
Loans from Sinochem Group		
Sinochem Group	200,000	–
Loans from the immediate holding company		
Sinochem HK	1,938,132	–

17 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	
	2014	2013
	RMB'000	RMB'000
Sales of fertilizers	**2,873,610**	5,063,404
Purchases of fertilizers	**4,233,935**	7,478,945

(d) *Compensation of key management personnel*

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Salaries and other benefits	**3,834**	3,864
Retirement benefit scheme contributions	**154**	129
Fees	**588**	597
	4,576	4,590

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 2014.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2014, 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") as set of in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

As at 30 June 2014, 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 2014, 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.

Additional Information

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, 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 2014, which were required to be recorded in the register maintained by the Company under section 336 of the SFO.

SHARE OPTIONS OF THE COMPANY

The Company maintains share option scheme to provide incentives to directors, eligible employees and other eligible participants. The existing share option scheme of the Company was adopted on 28 June 2007 and share options were granted on 28 August 2007. Subsequently on 14 June 2012, upon approval by the shareholders in general meeting of the Company, all outstanding share options were cancelled. Since then, no other share options were granted under the share option scheme of the Company. During the six months ended 30 June 2014, no share options were granted, exercised, cancelled or lapsed under the share option scheme of the Company.

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 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to 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 2014.

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 2014 and up to the date of this report, except for the deviations from the code provision E.1.2 as described below.

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 annual general meeting held on 15 May 2014 ("2014 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 2014 AGM, the Chairman of the Board authorized and the directors attended the meeting elected Mr. Wang Hong Jun, 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 2014 AGM and were available to answer relevant questions, which was in compliance with other part of code provision E.1.2.

Save as disclosed above, please refer to the "Corporate Governance Report" contained in the Company's 2013 annual report for more information about the corporate governance of the Company.

Additional Information

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed, with the management and the external auditors, the condensed consolidated financial statements of the Company for the six months ended 30 June 2014, including the review of the accounting principles and practices adopted by the Group. The Audit Committee has also discussed with the management for auditing, internal controls, and financial reporting matters.

BOARD OF DIRECTORS

As at the date of this report, the executive directors of the Company are Mr. Wang Hong Jun (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 Dan Dan; 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.

Mr. Wang Hong Jun was appointed as executive director and Chief Executive Officer by the Board of the Company on 7 March 2014, and subsequently re-elected by the shareholders of the Company at the annual general meeting held on 15 May 2014.

For and on behalf of the Board

Liu De Shu
Chairman of the Board

Hong Kong, 21 August 2014