中化化肥控股有限公司
SINOFERT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 297

INTERIM REPORT 2016

NURTURING CHINA'S

AGRICULTURE SECTOR

CONTENTS

Corporate Information

Board of Directors

Non-Executive Director

Mr. NING Gao Ning *(Chairman)*
(appointed on 8 March 2016)

Executive Directors

Mr. WANG Hong Jun *(Chief Executive Officer)*
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
Mr. LU Xin
Mr. TSE Hau Yin, Aloysius

Members of Committees

Audit Committee

Mr. TSE Hau Yin, Aloysius *(Chairman)*
Mr. KO Ming Tung, Edward
Mr. LU Xin

Remuneration Committee

Mr. KO Ming Tung, Edward *(Chairman)*
Dr. Stephen Francis DOWDLE
Mr. LU Xin
Mr. TSE Hau Yin, Aloysius
Mr. Harry YANG

Nomination Committee

Mr. KO Ming Tung, Edward *(Chairman)*
Dr. Stephen Francis DOWDLE
Mr. LU Xin
Mr. TSE Hau Yin, Aloysius
Mr. Harry YANG

Corporate Governance Committee

Mr. WANG Hong Jun *(Chairman)*
Mr. Harry YANG
Ms. CHEUNG Kar Mun, Cindy
Ms. CAO Jing

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

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

Registered Office

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Hamilton HM11
Bermuda

Principal Place of Business

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Office Tower, Convention Plaza
1 Harbour Road
Wanchai, Hong Kong

Share Registrars and Transfer Offices

Bermuda (Principal office)

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Hong Kong (Branch)

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Company Website

www.sinofert.com

Share Listing

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

Investor Relations

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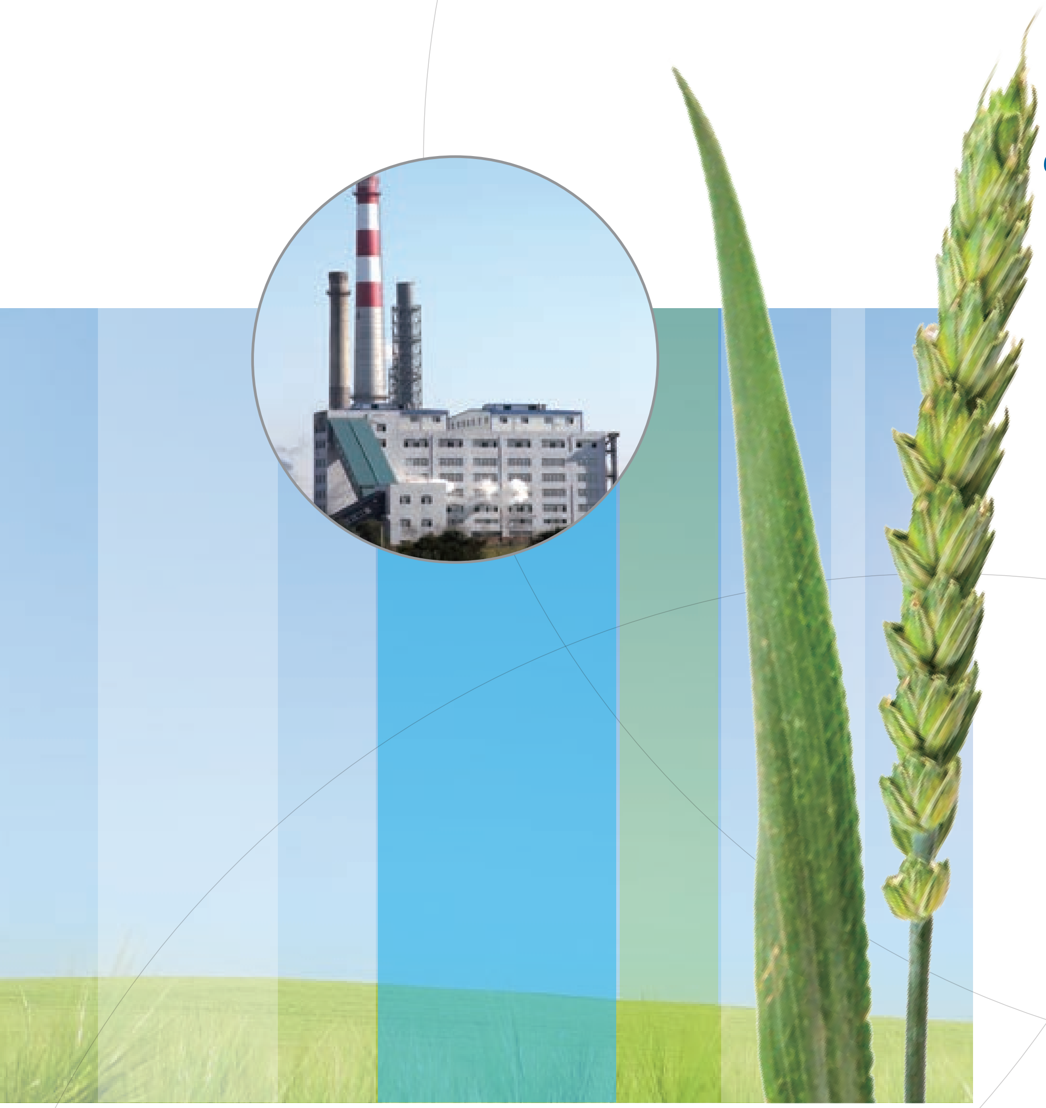
Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), 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 2016.

In the first half of 2016, the fertilizer industry was under heavy pressure to resolve overcapacity and to overcome the challenge of falling domestic demand amidst the general slowdown in macro-economic growth. This year the usual effect of the spring peak season for fertilizer consumption did not materialize as expected, while the resumption of the value-added tax on fertilizer products weakened the overall profitability of the fertilizer industry. The Group's fertilizer operations were dealt a heavy blow from such changes in the industry, and its performance as a whole took a big downturn. For the six months ended 30 June 2016, the Group suffered a loss attributable to owners of the Company of RMB432 million. To turn the situation around and regain profitability, the management has made and put into place a counter-measure action plan. The Board is confident that the Group will continue to consolidate its business footing and be able to achieve long-term sustainable growth.

It's foreseeable that the macro-economic environment will remain severe and the situation of overcapacity of the fertilizer industry will hardly improve during the second half of 2016. Against this background, the Chinese economy has been in the process of further transforming and upgrading its growth modes and fostering new growth dynamics. A series of supply-side structural reforms, including cutting overcapacity, destocking, deleveraging, reducing cost



Chairman's Statement

and identifying growth areas, have been implemented by the Chinese government, and this will provide the Company with new growth potentials and historic opportunities.

Facing a grim market outlook and many unprecedented challenges, we will deepen our reforms and innovations and beef up our core competitiveness and specialized operating capabilities. We will adopt effective counter-measures to tackle the key problems and challenges, uplift our internal operational efficiency and fully implement the program of improving both quality and performance. Our commitment to striving for better business results and creating higher returns for the shareholders is unswerving.

Last but not the least, on behalf of the Board, 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", make special efforts, and strive to make greater contributions to the development of the Group.

Ning Gao Ning
Chairman of the Board

Hong Kong, 25 August 2016

Management Review and Prospect

Business Environment

In the first half of 2016, the global macro economic environment continued to deteriorate, major economies underperformed, the economic growth rate stagnated, risk factors kept gathering and the prospect of global economic recovery was still uncertain. The growth rate of the Chinese economy slowed down. Currently the Chinese government is vigorously promoting the supply-side structural reform, the Chinese economy is moving to a higher gear, the growth momentum is changing, the macro environment is complex and severe, and the economic downward pressure is still huge. Domestic enterprises are generally faced with challenges including excessive production capacity, weak market demand and increasing risks.

In the first half of 2016, the prices of corn and wheat in major grain producing areas in China suffered from different degrees of decline, of which the plunge in corn was more obvious – an average decline of above 20% and up to 30% compared to the same period of 2015, and wheat also witnessed a cliff-like drop. Although the purchasing price of rice was stable in general, there was some decrease in certain regions. It's really rare to see a fall in the prices of all the three staple foods in China, and the hundreds of billions RMB negative growth in revenue has made an impact on the consumption market and the growth of GDP. With the surge of import and inventory of the three staple foods, the plunge in grain prices and the sharp drop of the farmers' income, the upstream agricultural inputs industry represented by fertilizer was also consequently affected. Enterprises are facing intensified competition due to the impact from declining real economy and excessive production capacity, the fertilizer industry entered the crucial moment of eliminating excessive capacity, and the elimination process might speed up. Meanwhile, due to the cancellation of preferential policies and the resumption of value-added tax on fertilizer products, the supply and demand disparity is still prominent and the operating pressure of domestic enterprises is constantly growing under the policy of zero–growth in fertilizer consumption and increasing pressure from environmental protection regulations.

Faced with a prolonged weak macro economy and a tough market environment, under the leadership of the Board, the Group adhered to the established orientation for strategic transformation, accelerated the transformation and upgrading and was devoted to becoming an agricultural service enterprise which provides high-quality fertilizer products and crop nutrition solutions with the general philosophy of "taking root in the transformation and upgrading of modern agriculture".

Financial Highlights

For the six months ended 30 June 2016, the Group's revenue amounted to RMB8,909 million, down by 46.66% over the corresponding period of 2015; and loss attributable to owners of the Company amounted to RMB432 million, which was mainly attributable to the sluggish fertilizer market, falling fertilizer prices and the resumption of value-added tax on fertilizer products.

Resource Support

In the first half of 2016, Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong"), a subsidiary of the Group, brought into full play its advantage in high-quality phosphate rock resource, optimized its phosphate mine development plan and extracted 149,600 tons of phosphate rock. For mine construction, Sinochem Yunlong carried out the preliminary design, budget approval and tendering and procurement of the PC implementation general contract for Mozushao capacity expansion project and the prospecting work of Dawan mine was basically completed, laying a good foundation for the sustainable development of the Group's phosphate fertilizer and phosphoric chemical industries and ensuring that the demand for phosphate rock in the follow-up development of Sinochem Yunlong will be met.

Production and Manufacturing

The total annual fertilizer production capacity of the Group's subsidiaries, associates and joint ventures exceeded 12 million tons. By continuing to promote the "three basics" among production subsidiaries, carrying out the trial run of new plants, launching benchmarking management of technology, eliminating key factors hindering the release of production capacity, further tapping the potential of the equipment, enhancing the process management in production, carrying out cost management and control and pushing forward scientific and technological innovation, the Group's production and supply capacity was further enhanced.

Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd. ("Sinochem Fuling"), a subsidiary of the Group, produced 620,700 tons of phosphate, compound fertilizers and other products. Faced with a market downturn, Sinochem Fuling adjusted its product mix of phosphate and compound fertilizers, increased the production of high value-added products including DAP and fine phosphates, extended the life cycle of the phosphogypsum stack, maintained the efforts made in scientific and technological innovation and explored ways for sustainable development.

Sinochem Jilin Changshan Chemical Co., Ltd. ("Sinochem Changshan"), a subsidiary of the Group, produced 60,000 tons of urea in the first half of 2016. When the urea price continued to run at a low level, Sinochem Changshan, based on its geographical advantage, deepened the integration of production and marketing, and promoted the upgrading and transformation of the facilities. The "1830 Project" was put into pilot production and transferred from CIP to PPE.

Sinochem Yunlong produced 165,500 tons of Monocalcium/Dicalcium Phosphate (MDCP) in the first half of 2016. Sinochem Yunlong vigorously promoted its brand name recognition for its MDCP products; optimized the internal organizational structure in order to improve the operation efficiency; cooperated with research institutions, strove to make technological breakthrough related to production capacity constraints to release the production capacity of existing equipment and gradually formed a scale effect in the production capacity of the existing equipment; promoted the information technology in production, gradually realized integrated management in the whole process of the production line, improved the operating efficiency of the systems; and developed tailored product standards to meet the demand of the customers based on the differences in product quality standards of regional customers.

Marketing Business

Taking into consideration the characteristics of China's agriculture and through system reform and model innovation, the Group continuously consolidated the operation foundation. Sales volume for the first half of 2016 reached 5.21 million tons, which further consolidated the Group's status as the largest fertilizer distributor and service provider in China and also promoted the transformation from an agricultural inputs provider to agricultural service provider.

Potash Operations: Sales volume of potash fertilizer amounted to 1.07 million tons in the first half of 2016. Faced with a prolonged market downturn, the Group continued to improve the channel marketing of potash for agriculture, enriched the connotation of the products, constantly carried out marketing and promotion; strengthened the core customer system building for industrial potash, increased the flexibility in the operation of industrial potash and reduced the unfavourable impact from falling price. The Group enhanced its strategic cooperation with Qinghai Salt Lake Industry Group Co., Ltd. ("Qinghai Salt Lake"), an associate of the Group, secured product supply and consolidated its advantage in regions where the Group was the agency for products from Qinghai Salt Lake.

Nitrogen Operations: Sales volume of nitrogen fertilizer amounted to 1.52 million tons. Faced with a severe market environment, the Group vigorously developed a business model of commissions for agencies, continued to consolidate and step up cooperation with core suppliers and improved the guaranteed capacity of resources supply. The Group strengthened direct sales, accelerated inventory turnover, constantly increased the inputs for the marketing expenses of new products and further enlarged the scale of new products such as differentiated nitrogen fertilizers.

Phosphate Operations: Sales volume of phosphate fertilizer amounted to 1.04 million tons in the first half of 2016. By studying and estimating the severe market situation in 2016, while sticking to the traditional operational mode, the Group focused on marketing, flexibly established market policies and persisted in expanding the phosphate business.

Compound Fertilizer Operations: Sales volume of compound fertilizers amounted to 960,000 tons in the first half of 2016. The Group continued to promote the integration of compound fertilizers, established the operation and management mechanism of coordination on production and marketing and realized high-efficiency and synergetic operation between the Group's internal production subsidiaries and marketing channel outlets. The Group took agrichemical services as the starting point, cultivated the comprehensive service capabilities for the new farming entities and improved the competitiveness and the added value of the products by building a "product plus service" operational model.

Monocalcium/Dicalcium phosphate (MDCP) Operations: Sales volume of MDCP amounted to 170,000 tons in the first half of 2016. Sinochem Yunlong carried out brand building, highlighted the advantage of Sinochem's own brand and achieved the value of a series of brands led by "Sinochem"; developed tailored product portfolio based on the requirement of the customers, produced MDCP products that can meet the quality requirement in various regions both at home and abroad, and the adaptability and influence of the products was further expanded; and endeavoured to promote the integration of production and marketing and pushed forward terminal marketing while further releasing production capacity.

The Group continued to optimize the existing distribution network, relied on its high-quality customers, built and upgraded over 5,600 stores as at 30 June 2016, and consolidated the customer base; took into consideration the development trend of modern agriculture, optimized the product structure and focused on strategic products based on the characteristics of the markets; and carried out agrichemical service activities of "Sinochem Dedicating to Rural Prosperity" under the Group's agricultural service strategy and strengthened the service capability for customers.

In addition, the Group continued to work with the Department of Crop Production, the Department of Science, Technology & Education, and the National Agricultural Technology Extension Center under the Ministry of Agriculture and sped up the supply-side reform on fertilizer by promoting the "internet plus intellectual formulation"; set up an agricultural service platform and brought forth a new service pattern; extended the fertilization technology with the integration of water and fertilizer and changed the fertilization pattern; carried out training for professional farmers and nurtured new farmers, aiming to promote scientific fertilization and zero-growth in fertilizer consumption, explore innovative business model that takes root in modern agriculture and boost the sound and sustainable development of China's modern agriculture.

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 nine special management committees including risk management and internal control management committee, and vigorously promoted the "risk management oriented, internal control centred" internal control and risk management system within the scope authorized by the Board.

The Group's internal control and risk management system was built according to the Listing Rules of the Stock Exchange of Hong Kong Limited, 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 regularly conducted risk identification, assessment and response, implemented a whole-process risk alarming management mechanism and adopted corresponding measures. In the first half of 2016, taking into consideration the requirement of the Group's development strategy of taking root in modern agriculture, the Group continued to consolidate the foundation for risk management, improve the risk control system, focus on the management and control of key operational risks and strengthened the building of grass-roots organization and basic work. In the first half of 2016, based on the quality system and potential risks assessment, the Group improved the manual for internal control, optimized key business procedures, highlighted key risk control points and effectively implemented and improved the risk control system through inspection and evaluation. The above corporate governance efforts met the compliance requirements from the domestic and overseas regulatory organizations, provided reasonable protection for the Group to cope with the changing domestic and international operational environment, serve its strategic transformation and ensure shareholders' interests, asset safety, business performance and strategic implementation.

Corporate Social Responsibility

The Group continued to maintain stable operation, consolidated its leading position in the industry, adhered to the national agricultural policies, brought into full play its influence and leading status in the industry and endeavoured 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. In the first half of 2016, centering on the goal of "zero-growth of the fertilizer and pesticide consumption by 2020", the Group focused on the implementation of scientific fertilization, fertilizer consumption reduction action, agrichemical seminars and soil testing and formula production and the building of demonstration fields, and promoted programs including the building of demonstration counties of formula fertilizer, the building of field schools for farmers, the cultivation of new professional farmers and the building of agricultural service centers at the grass-roots level.

In 2016, Key Work Points 2016 for the Planting Industry of the Ministry of Agriculture highlighted that the cooperation with the Group will be stepped up and a new mechanism for the cooperation between the Ministry of Agriculture and enterprises will be explored while further implementing the campaign of zero-growth of fertilizer consumption, which fully reflected the Group's status and influence on the market. The Group worked with the Department of Crop Production, Ministry of Agriculture, brought into full play the experiences the Company accumulated over the years, deepened the cooperation between the Ministry of Agriculture and enterprises, promoted the new mode of scientific fertilization and created new service systems. In April 2016, together with the local agriculture committee in Anhui province, the Group built a demonstration foundation of "internet plus intellectual fertilization", which was widely recognized by the growers and rural households at the grass-roots level. As a result, the testing, formulation, production, supply and application of fertilizer were linked, aiming at applying scientific fertilization and technology in the fields and helping with the achievement of fertilization reduction.

In order to further explore cooperation between government departments, enterprises, colleges and universities, Shiba Agricultural Service Center, built by the Group and Mingguang Municipal Soil and Fertilizer Station, held the Seminar on Cooperation between the Ministry of Agriculture and Enterprises to Promote Zero-growth of Fertilizer Consumption and 2016 On-site Meeting of Agricultural Service for "Sinochem Dedicating to Rural Prosperity". At the ceremony, officials from the Department of Crop Production of the Ministry of Agriculture, the National Agricultural Technology Extension Center and the Group unveiled the plaque for the agricultural service center. In the first half of 2016, 5 new agricultural service centers at the grass-roots level were set up across China, integrating agricultural service, farmer cultivation, demonstration and display, intellectual formulation machine and liquid fertilizer formulation stations and thus improved its comprehensive service function.

Within the "one-package" alliance of national agricultural scientific and technological innovation led by the Ministry of Agriculture, the Group is responsible for creating the scientific and technological innovation alliance for fertilizer reduction and efficiency improvement. Under this principle, the Group will organize key enterprises in the industry and research institutes, jointly do research on the existing bottleneck problems demanding prompt solution, strengthen the cooperation between research institutes and enterprises, achieve industrial innovation and promote the transformation and upgrading of agriculture.

The Chinese government pays high attention to the development of agriculture and provides policy guarantee and resources to support the sector. Under such circumstances, the Group will continue to take root in modern agriculture, focus on the scientific and technological demand of the farmers, center on the main business and shoulder its corporate social responsibility. Under the leadership of the Chinese government, the Group will take actions regarding the reduction of fertilizer and pesticides, deepen cooperation with agricultural departments, research institutes, colleges and universities, focus on scientific fertilization, agricultural scientific and technological innovation and the cultivation of new professional farmers, pool the internal and external resources, continue to provide high-quality, professional and high-efficiency comprehensive service for Chinese farmers and make contributions to the development of the Chinese agriculture.

The Group focused on sustainable development, social responsibility and humane care for its employees; and utilized advanced technology to enhance intrinsic safety and increased investment to promote the rectification of potential safety hazards in the process of production and operation through strengthening the management and control of the HSE risks. Thanks to the joint efforts made by the HSE team, progress was achieved in environmental protection and emission reduction in the first half of 2016 and the emission of COD was down by 68.65% and NH_3-N by 68.03% compared to the first half of 2015.

Outlook

Against the background of a prolonged global economic slump, agricultural modernization will be a key link in the Chinese economy's transformation from quantitative change to qualitative change and technological progress and institutional innovation will be an important means for agricultural modernization. The Chinese government will continue with the policy of making progress while ensuring stability, deepen reform in an all-round way, and realize sustainable and steady economic and social development.

China's agricultural modernization is still at the early stage of development. With the constraint of zero-growth in fertilizer consumption, fertilizer products will center on the core demand of the farmers in terms of fertilizer application, such as being "highly efficient, low-cost and labour-saving" and become more efficient and convenient. For the next few years, the Group will be confronted with the slowdown in the economic growth rate, acceleration of excessive production capacity elimination and the overlap of downturn periods for bulk commodities. However, with crisis comes opportunity. The Group believes that it can achieve integrated operation between production and marketing, realize the optimization of internal operation efficiency, set up the agricultural service mode for new fertilizers and optimize the management mode of the supply chain. The Group will also continue to pay attention to domestic and overseas high-quality phosphate and potash resources acquisition opportunities under "The Belt and Road Initiative" of the Chinese government, build a core competitive edge, trade time for space and eventually make contributions to the great cause of the Group's agricultural sector and further create value for the shareholders.

For the six months ended 30 June 2016, sales volume of the Group was 5.21 million tons, down by 35.84%, and revenue was RMB8,909 million, down by 46.66%, compared to the corresponding period of 2015.

For the six months ended 30 June 2016, gross profit of the Group was RMB355 million, down by 66.51% compared to the corresponding period of 2015; loss attributable to owners of the Company was RMB432 million.

I. Operation Scale

1. Sales volume

For the six months ended 30 June 2016, sales volume of the Group was 5.21 million tons, down by 35.84% from 8.12 million tons compared to the corresponding period of 2015. For the first half of 2016, the fertilizer market remained weak and oversupplied, which resulted in the decline of sales volume of major fertilizers of the Group compared to the corresponding period of 2015. In terms of product mix, sales volume of potash, nitrogen, compound fertilizer and phosphate of the Group declined by 37.43%, 43.07%, 37.25% and 38.46%, respectively. Under the severe market conditions, the Group still maintained a relatively high market share through strengthening strategic partnership with core domestic and overseas suppliers and continuing to secure the supply of cost competitive products.

2. Revenue

For the six months ended 30 June 2016, the revenue of the Group was RMB8,909 million, down by RMB7,792 million, or 46.66% over the corresponding period of 2015. The decrease rate in revenue was higher than that in sales volume (35.84%), which was mainly attributable to that the Group's average selling price decreased by 16.86% year on year due to the falling prices of fertilizers and the resumption of the value-added tax on fertilizer products in 2016.

The breakdown of revenue by products of the Group for the six months ended 30 June 2016 and the corresponding period of 2015 is as follows:

Table 1:

	For the six months ended 30 June			
	2016		2015	
	Revenue RMB'000	**Proportion to total revenue**	Revenue RMB'000	Proportion to total revenue
Potash Fertilizers	**2,054,835**	**23.07%**	3,691,597	22.10%
Nitrogen Fertilizers	**1,705,364**	**19.14%**	3,870,103	23.17%
Compound Fertilizers	**2,260,765**	**25.38%**	4,060,188	24.31%
Phosphate Fertilizers	**2,111,314**	**23.70%**	4,246,751	25.43%
MDCP	**436,145**	**4.90%**	385,380	2.31%
Others	**340,399**	**3.81%**	447,173	2.68%
Total	**8,908,822**	**100.00%**	16,701,192	100.00%

3. *Revenue and result by segment*

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

The following is the analysis of the Group's revenue and profit by operating segment for the six months ended 30 June 2016 and the corresponding period of 2015:

Table 2:

	For the six months ended 30 June 2016			
	Marketing RMB'000	**Production RMB'000**	**Elimination RMB'000**	**Total RMB'000**
Revenue				
External revenue	**7,983,822**	**925,000**	**–**	**8,908,822**
Internal revenue	**451,880**	**1,303,685**	**(1,755,565)**	**–**
Segment revenue	**8,435,702**	**2,228,685**	**(1,755,565)**	**8,908,822**
Segment gross profit	**256,076**	**98,823**	**–**	**354,899**
Segment loss	**(16,302)**	**(311,043)**	**–**	**(327,345)**

	For the six months ended 30 June 2015			
	Marketing RMB'000	Production RMB'000	Elimination RMB'000	Total RMB'000
Revenue				
External revenue	15,602,458	1,098,734	–	16,701,192
Internal revenue	726,387	2,165,994	(2,892,381)	–
Segment revenue	16,328,845	3,264,728	(2,892,381)	16,701,192
Segment gross profit	724,448	335,750	–	1,060,198
Segment profit	459,583	16,464	–	476,047

Segment (loss)/profit represents the (loss)/profit earned by each segment without taking into consideration unallocated expenses/income, share of results of associates and joint ventures and finance costs. Such information was reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

The Group's segment loss for the six months ended 30 June 2016 was RMB327 million. Among which, the segment loss of Production and Marketing was RMB311 million and RMB16 million, respectively, which was mainly due to the price drop of all fertilizers in the weak fertilizer market and the resumption of the value-added tax on fertilizer products.

II. Profit

1. Gross profit

For the six months ended 30 June 2016, gross profit of the Group was RMB355 million, down by RMB705 million or 66.51% compared to the corresponding period of 2015, which was mainly due to the decrease in fertilizer price.

The gross profit margin of the Group was 3.98%, down by 2.37 percentage points compared to the corresponding period of 2015. Due to the price drop of potash and the resumption of value-added tax on fertilizer products, the gross profit margin of potash fertilizers decreased by 8.82 percentage points. Besides, the gross profit margin of other products slightly decreased due to severe oversupply and falling market prices.

2. Share of results of joint ventures and associates

Share of results of joint ventures: For the six months ended 30 June 2016, share of results of joint ventures of the Group was a loss of RMB2 million, decreased by RMB16 million from a profit of RMB14 million for the corresponding period of 2015. This was mainly due to the decline in the results of Yunnan Three-Circles-Sinochem Fertilizer Co., Ltd. ("Three Circles-Sinochem"), one of the Group's joint ventures, because of the oversupply and price drop in the phosphorous chemicals industry.

Share of results of associates: For the six months ended 30 June 2016, share of results of associates of the Group amounted to RMB28 million, down by RMB1 million over that of RMB29 million for the corresponding period of 2015. This was mainly due to that Yangmei Pingyuan Chemical Co., Ltd. ("Yangmei Pingyuan"), one of the Group's associates, suffered losses because of the decreasing price of nitrogen fertilizer.

3. Income tax

For the six months ended 30 June 2016, income tax for the Group was RMB10 million, down by RMB86 million from RMB96 million for the corresponding period of 2015. This was mainly due to the decrease in taxable profits of various subsidiaries resulted from the market downturn in the first half of 2016.

The subsidiaries of the Group were mainly registered in China mainland, Macao and Hong Kong, respectively, where profits tax rates vary. Among them, the tax rate of China mainland 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. Loss attributable to owners of the Company and net loss margin

For the six months ended 30 June 2016, loss attributable to owners of the Company was RMB432 million, which was mainly attributed to the sluggish fertilizer market, the falling price of fertilizers and the resumption of value-added tax on fertilizer products.

For the six months ended 30 June 2016, net loss margin of the Group, calculated by dividing loss attributable to owners of the Company by revenue, was 4.85%.

III. Expenditures

For the six months ended 30 June 2016, total expenses were RMB875 million, up by RMB143 million or 19.54% over that of RMB732 million in the corresponding period of 2015. The expenditure details are as below:

Selling and distribution expenses: For the six months ended 30 June 2016, selling and distribution expenses were RMB362 million, up by RMB9 million or 2.55% over that of RMB353 million for the corresponding period of 2015. Such an increase was mainly attributable to the fact that the Group actively took measures to deal with market fluctuations and carried out promotion activities to keep a relatively high market share, leading to the increase in business promotion expense compared to the corresponding period of 2015.

Administrative expenses: For the six months ended 30 June 2016, administrative expenses were RMB332 million, up by RMB56 million or 20.29% over that of RMB276 million for the corresponding period of 2015. This was mainly attributable to the fact that the subsidiaries of the Group went on safety improvement and maintenance, leading to the increase in administrative expenses compared to the corresponding period of 2015.

Finance costs: For the six months ended 30 June 2016, finance costs were RMB181 million, up by RMB78 million or 75.73% over that of RMB103 million for the corresponding period of 2015, which was mainly due to the increase in financing scale and financing cost.

IV. Other Income and Gains

For the six months ended 30 June 2016, the Group's other income and gains amounted to RMB123 million, down by RMB3 million or 2.38% over that of RMB126 million for the corresponding period of 2015, which was mainly due to the decrease in the Group's deposit investment scale compared to the corresponding period of 2015.

V. Other Expenses and Losses

For the six months ended 30 June 2016, the Group's other expenses and losses amounted to RMB114 million, up by RMB51 million or 80.95% over that of RMB63 million for the corresponding period of 2015, which was mainly due to the increase in the impairment loss of assets compared to the corresponding period of 2015.

VI. Inventory Turnover

The inventory balance of the Group as at 30 June 2016 was RMB4,460 million, down by RMB1,852 million or 29.34% over that of RMB6,312 million as at 31 December 2015. The Group continued to strengthen the connection between procurement and sales and downsize the inventory scale. However, the revenue in the first half of 2016 decreased from the corresponding period of 2015, and therefore the inventory turnover days*(note)* increased from 90 days in 2015 to 113 days for the first half of 2016.

Note: Inventory turnover days for the six months ended 30 June 2016 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 2015 was calculated on the basis of average inventory balance as at the beginning and the end of the year ended 31 December 2015 divided by cost of goods sold in 2015, 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 2016 was RMB331 million, down by RMB17 million or 4.89% over that of RMB348 million as at 31 December 2015, which was mainly due to that the Group strictly controlled the credit scale to minimize credit risks, thus leading to the decrease in the balance of trade and bills receivables as at 30 June 2016 over that as at 31 December 2015. Trade and bills receivables turnover days*(note)* of the Group decreased by 4 days from 11 days in 2015 to 7 days for the first half of 2016.

Note: Turnover days for the first half of 2016 was calculated on the basis of the average trade and bills receivables balance as at the beginning and the end of the reporting period divided by revenue for the reporting period, and multiplied by 180 days (The above trade and bills receivables balance excluded the bills discounted to the banks).

Turnover days for 2015 was calculated on the basis of average trade and bills receivables balance as at the beginning and the end of the year ended 31 December 2015 divided by revenue in 2015, and multiplied by 360 days (The above trade and bills receivables balance excluded the bills discounted to the banks).

VIII. Interests in Joint Ventures

The balance of the Group's interests in joint ventures as at 30 June 2016 was RMB576 million, down by RMB5 million or 0.86% over that of RMB581 million as at 31 December 2015, which was mainly due to that the share of results of joint ventures from Three Circles-Sinochem suffered a loss in the sluggish market.

IX. Interests in Associates

The balance of the Group's interests in associates as at 30 June 2016 was RMB11,525 million, down by RMB49 million or 0.42% over that of RMB11,574 million as at 31 December 2015. Among them, the share of results of Yangmei Pingyuan was RMB11 million and the share of results of Qinghai Salt Lake Industry Co., Ltd. ("Qinghai Salt Lake") was RMB37 million. The recoverable amount of the interest in Qinghai Salt Lake was estimated with reference to the investment's value-in-use. In recent years, the potash business of Qinghai Salt Lake maintained a stable profitability, but after the chemicals projects were completed and put into pilot operation, uncertainties were brought about to the future performance of Qinghai Salt Lake. And therefore, the value-in-use of Qinghai Salt Lake is lower than its carrying amount, an impairment loss amounting to RMB60 million was recognized by the Group at 30 June 2016.

X. Available-for-sale Investments

The balance of the Group's available-for-sale investments as at 30 June 2016 was RMB498 million, down by RMB21 million or 4.05% over that of RMB519 million as at 31 December 2015. As at 30 June 2016, the share price of China XLX Fertiliser Limited held by the Group decreased, which led to a decrease in available-for-sale investments.

XI. Interest-bearing Borrowings

As at 30 June 2016, the balance of the Group's interest-bearing borrowings was RMB6,481 million, up by RMB207 million or 3.30% over that of RMB6,274 million as at 31 December 2015, which was mainly due to that the Group increased its borrowings to replenish the working capital.

XII. Trade and Bills Payables

As at 30 June 2016, the balance of the Group's trade and bills payables was RMB4,449 million, down by RMB1,548 million or 25.81% over that of RMB5,997 million as at 31 December 2015, which was mainly due to that the Group strengthened the synergy of internal integration, increased the proportion of internal procurement, thus leading to the decrease in the balance of trade and bills payables.

XIII. Other Financial Indicators

Basic loss per share for the six months ended 30 June 2016 was RMB0.0615. Return on equity (ROE) for the six months ended 30 June 2016 was minus 3.44%, which was mainly attributable to losses of the Group resulted from the fertilizer market conditions.

Table 3:

	For the six months ended 30 June	
	2016	2015
Profitability		
(Loss)/Earnings per share (RMB) (Note a)	**(0.0615)**	0.0487
ROE (Note b)	**(3.44%)**	2.50%

Notes:

a. Calculated on the basis of (loss)/profit attributable to the owners of the Company for the reporting period divided by weighted average number of shares for the reporting period.

b. Calculated on the basis of (loss)/profit attributable to the owners 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 2016, the Group's current ratio was 0.69, and the debt-to-equity ratio was 51.74%, representing a stable financial structure.

Table 4:

	As at 30 June 2016	As at 31 December 2015
Solvency		
Current ratio (Note a)	**0.69**	0.79
Debt-to-Equity ratio (Note b)	**51.74%**	47.98%

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 include cash from operation, bank borrowings and proceeds from the issue of 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 2016, cash and cash equivalents of the Group amounted to RMB192 million, which were denominated mainly in Renminbi and US dollars.

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

Table 5:

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Bank loans, unsecured	**–**	673,430
Short-term commercial paper	**2,000,000**	2,000,000
Borrowings from Sinochem Group	**1,299,445**	200,000
Borrowings from Sinochem Finance Co., Ltd.	**690,000**	60,000
Borrowings from Sinochem Hong Kong (Group) Co., Ltd.	**–**	850,000
Bonds		
Principal amount	**2,500,000**	2,500,000
Less: unamortized transaction costs	**(7,990)**	(9,165)
Total	**6,481,455**	6,274,265

Table 6:

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Within 1 year	**3,989,445**	3,583,430
Over 1 year, but within 5 years	**2,492,010**	2,690,835
Total	**6,481,455**	6,274,265

Table 7:

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Fixed interest rate	**6,481,455**	5,924,265
Floating interest rate	**–**	350,000
Total	**6,481,455**	6,274,265

The Group intends to meet its obligations for the above borrowings by using internal and external resources.

As at 30 June 2016, the Group had banking facilities of RMB25,210 million, including USD1,585 million and RMB14,700 million. The utilized banking facilities consisted of USD35 million and RMB3,291 million, while the unutilized banking facilities consisted of USD1,550 million and RMB11,409 million.

XV. Operational and Financial Risks

The Group's major operational risks: the world economy was struggling to recover and was still faced with great uncertainty; the domestic fertilizer market is oversupplied, fertilizer prices were still low by historical standards; the pressure from structural adjustment and competition in the industry increased with the resumption of the value-added tax on fertilizer products and increasingly stricter environmental protection requirements.

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 deposits; 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 Group have certain scale of import and export businesses, the fluctuation of the foreign exchange market will affect the import cost and the export price, but the Group has always taken a prudent hedging strategy, and has been closely monitoring and strictly controlling the above-mentioned risks to ease the potential unfavourable impact they might have on the Group's financial performance.

Credit risk

The biggest credit risk of the Group was subject to that the counterparties might fail to carry out their obligations with regard to the book value of all types of financial assets confirmed and recorded in the consolidated statement of financial position as at 30 June 2016. The Group has adequate monitoring procedures and corresponding measures in respect of granting credit, credit approval and other related aspects so as to ensure the timely follow-up of credit to be matured to mitigate the credit risk.

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 kept monitoring the utilization of bank borrowings and complied with the terms and conditions of banking loans.

XVI. Contingent Liabilities

As at 30 June 2016, the Group had no material contingent liabilities.

XVII. Capital Commitment

Table 8:

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Contracted but not provided for		
– Property, plant and equipment	**35,931**	46,017
Authorized but not contracted for		
– Property, plant and equipment	**424,212**	546,315
– Investments in an associate and others	**300,000**	300,000
Total	**760,143**	892,332

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

XVIII. Major Investments

For the six months ended 30 June 2016, the Group had no material investments.

XIX. Remuneration Policy

The key components of the Group's remuneration package include basic salary, and if applicable, other allowances, incentive bonus, mandatory provident funds, state-managed retirement benefits scheme and share options granted under the share option schemes of the Company. The objective of the Group is to associate the interests of key employees with the performance of the Group and the interests of shareholders, as well as achieving a balance of short-term and long-term benefits through a reasonable system. Meanwhile, the Group also aims at maintaining the competitiveness of the overall remuneration. The level of cash remuneration to employees offered by the Group varies with importance of duties. The higher the importance of duties, the higher 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 excessive incentives.

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

The Group reviews its remuneration policy annually and, if necessary, engages professional consultants, to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 30 June 2016, the Group had about 6,382 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 2016, the Group provided 14,884 hours of training in aggregate for about 1,562 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 2016

◇ Together with the local strawberry association, Anhui Branch of the Group initiated the poverty-alleviation project of providing "product package plus technical service" to poverty-stricken strawberry growers in Changfeng County, Anhui Province.

◇ The Group organized the seminar on reviewing the fertilizer project in Bohai – "Research and Application of Specialty and High-efficiency Fertilizers on Regional Grain Crops".

March 2016

◇ Sinochem Fuling Chemicals Co., Ltd., a subsidiary of the Group, passed the evaluation assessment on energy saving target conducted annually on "10 thousand companies" by Chongqing Municipal Government.

◇ Mr. Ning Gao Ning was appointed by the Board of Directors as Chairman of the Board and a non-executive director of the Company.

◇ International rating agency Fitch Ratings rated the Group as BBB+.

April 2016

◇ The Group and the Ministry of Agriculture jointly hosted the 2016 on-site conference of "Sinochem Dedicating to Rural Prosperity" on agricultural service and exchanging experiences on promoting the cooperation between the Ministry of Agriculture and enterprises in formula fertilization in Mingguang City, Anhui Province, in order to support the policy of zero-growth in fertilizer consumption.

◇ Sinochem Yunlong Co., Ltd., a subsidiary of the Group, participated in China Feed Expo and the Promotion Event for Technological Achievements in Animal Husbandry.

May 2016

◇ The Group attended the National Conference on Agricultural Science and Technology Education. As a representative of the "One-Package" Alliance of the National Technological Innovation in Agriculture, the Group entered into "Cooperation Framework Agreement between Research Institutions and Businesses" with China Agricultural University, a representative of research institutions, to push forward the work of the innovation alliance.

◇ A delegation headed by Mr. Wang Hong Jun, CEO of the Group, attended the 84th annual conference of the International Fertilizer Association (IFA) in Moscow. During the conference, the delegation conducted discussions with major global producers and suppliers.

June 2016

◇ The Group participated in the National Experience Exchanging Conference on Fostering New Types of Farmers. The conference acknowledged the efforts by businesses related to agriculture such as the Group on establishing field-schools, conducting training sessions and lectures and providing agricultural and technical services. The conference also affirmed that the cooperation with the Ministry of Agriculture will be further expanded and deepened.

◇ The Group's research and development project of chelated fertilizer upgrading has been accepted technologically and the preset targets have been met, consolidating the Group's position of technological advancement in the chelated fertilizer segment.

◇ The Group's applications for the National Science and Technology Support Program during the 13th five-year plan period have been approved, i.e. Grain Harvest Project and Double Reduction Project on Fertilizer Research and Development. The Group will take the lead on one subject and participate in one project.

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 53 which comprises the consolidated statement of financial position of Sinofert Holdings Limited as of 30 June 2016 and the related consolidated statement of profit or loss and other comprehensive income and 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 2016 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

25 August 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2016	2015
	Note	**RMB'000**	RMB'000
Revenue	*3*	**8,908,822**	16,701,192
Cost of sales		**(8,553,923)**	(15,640,994)
Gross profit		**354,899**	1,060,198
Other income and gains		**123,081**	126,236
Selling and distribution expenses		**(361,701)**	(352,533)
Administrative expenses		**(331,754)**	(275,927)
Other expenses and losses		**(114,182)**	(63,012)
Share of results of associates		**27,575**	28,875
Share of results of joint ventures		**(2,250)**	13,635
Finance costs	*4(a)*	**(180,755)**	(102,798)
(Loss)/Profit before taxation	*4*	**(485,087)**	434,674
Income tax	*5*	**(10,173)**	(95,735)
(Loss)/Profit for the period		**(495,260)**	338,939
(Loss)/Profit for the period attributable to:			
– Owners of the Company		**(432,134)**	342,040
– Non-controlling interests		**(63,126)**	(3,101)
		(495,260)	338,939

		Six months ended 30 June	
		2016	2015
	Note	**RMB'000**	RMB'000
(Loss)/Profit for the period		**(495,260)**	338,939
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**43,497**	(17,817)
Changes in fair value of available-for-sale investments		**(23,223)**	108,048
Other comprehensive income for the period		**20,274**	90,231
Total comprehensive (expenses)/income for the period		**(474,986)**	429,170
Total comprehensive (expenses)/income attributable to:			
– Owners of the Company		**(411,860)**	432,271
– Non-controlling interests		**(63,126)**	(3,101)
		(474,986)	429,170
(Loss)/Earnings per share	6		
Basic (RMB)		**(0.0615)**	0.0487
Diluted (RMB)		**(0.0615)**	0.0487

The notes on pages 32 to 53 form part of this interim financial report. Details of dividends payable to owners of the Company are set out in note 15.

Consolidated Statement of Financial Position

At 30 June 2016 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Non-current assets			
Property, plant and equipment	7	**3,839,225**	3,876,167
Lease prepayments		**507,245**	513,844
Mining rights		**627,572**	643,673
Goodwill	8	**835,777**	829,752
Other long-term assets		**8,489**	10,202
Interests in associates	9	**11,524,746**	11,574,427
Interests in joint ventures		**576,186**	581,436
Available-for-sale investments		**498,223**	519,040
Advance payments for acquisition of property, plant and equipment		**23,877**	29,077
Deferred tax assets		**31,368**	44,740
		18,472,708	18,622,358
Current assets			
Inventories		**4,460,079**	6,312,327
Trade and bills receivables	10	**330,817**	348,097
Other receivables and advance payments		**1,053,222**	1,131,386
Loans to an associate		**670,000**	670,000
Lease prepayments		**13,820**	13,810
Other deposits		**–**	1,200
Other financial assets		**8,797**	–
Pledged bank deposit		**490**	–
Bank balances and cash		**191,557**	639,851
		6,728,782	9,116,671
Current liabilities			
Trade and bills payables	11	**4,449,043**	5,997,402
Other payables and receipt in advance	12	**1,355,660**	1,993,382
Interest-bearing borrowings – due within one year	13	**1,989,445**	1,583,430
Short-term commercial paper	14	**2,000,000**	2,000,000
Tax liabilities		**11,667**	11,429
		9,805,815	11,585,643
Net current liabilities		**(3,077,033)**	(2,468,972)
Total assets less current liabilities		**15,395,675**	16,153,386

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Non-current liabilities			
Interest-bearing borrowings – due after one year	13	2,492,010	2,690,835
Deferred income		103,761	107,125
Deferred tax liabilities		228,401	234,669
Other long-term liabilities		44,836	44,836
		2,869,008	3,077,465
NET ASSETS		12,526,667	13,075,921
CAPITAL AND RESERVES			
Issued equity		8,267,384	8,267,384
Reserves		4,273,805	4,759,933
Total equity attributable to owners of the Company		12,541,189	13,027,317
Non-controlling interests		(14,522)	48,604
TOTAL EQUITY		12,526,667	13,075,921

The notes on pages 32 to 53 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016 – unaudited

(Expressed in Renminbi)

	Attributable to owners of the Company									
	Issued equity RMB'000	Capital and other reserve RMB'000 *(Note a)*	Statutory reserve RMB'000 *(Note b)*	Investment revaluation reserve RMB'000	Special reserve RMB'000 *(Note c)*	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
Balance at 1 January 2015	8,267,384	732,329	366,484	10,853	70,272	(840,287)	4,708,341	13,315,376	66,912	13,382,288
Profit/(Loss) for the period	–	–	–	–	–	–	342,040	342,040	(3,101)	338,939
Other comprehensive income/(expenses) for the period	–	–	–	108,048	–	(17,817)	–	90,231	–	90,231
Total comprehensive income/(expenses) for the period	–	–	–	108,048	–	(17,817)	342,040	432,271	(3,101)	429,170
Maintenance and production fund *(Note c)*	–	–	–	–	(2,243)	–	2,243	–	–	–
Dividends approved in respect of previous year	–	–	–	–	–	–	(57,731)	(57,731)	–	(57,731)
Balance at 30 June 2015	8,267,384	732,329	366,484	118,901	68,029	(858,104)	4,994,893	13,689,916	63,811	13,753,727
Balance at 1 January 2016	8,267,384	37,378	366,484	49,407	54,468	(633,389)	4,885,585	13,027,317	48,604	13,075,921
Loss for the period	–	–	–	–	–	–	(432,134)	(432,134)	(63,126)	(495,260)
Other comprehensive (expenses)/income for the period	–	–	–	(23,223)	–	43,497	–	20,274	–	20,274
Total comprehensive (expenses)/income for the period	–	–	–	(23,223)	–	43,497	(432,134)	(411,860)	(63,126)	(474,986)
Maintenance and production fund *(Note c)*	–	–	–	–	689	–	(689)	–	–	–
Dividends approved in respect of previous year	–	–	–	–	–	–	(57,658)	(57,658)	–	(57,658)
Share of an associate's net assets changes	–	(16,610)	–	–	–	–	–	(16,610)	–	(16,610)
Balance at 30 June 2016	8,267,384	20,768	366,484	26,184	55,157	(589,892)	4,395,104	12,541,189	(14,522)	12,526,667

Notes:

a. Capital and other 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 ; contributions from/distributions to the ultimate holding company, Sinochem Group ("Sinochem Group", established in the People's Republic of China (the "PRC")) ; the difference between the carrying amount of non-controlling interests acquired and the fair value of consideration paid and the share of the investee's net assets changes, other than profit or loss or other comprehensive income and distributions received.

b. 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.

c. Special 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 53 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Operating activities		
Cash (used in)/generated from operations	**(410,685)**	545,213
Income tax paid	**(2,831)**	(5,005)
Net cash (used in)/generated from operating activities	**(413,516)**	540,208
Investing activities		
Purchase of property, plant and equipment	**(147,814)**	(186,459)
Proceeds from disposals of property, plant and equipment	**4,645**	1,201
Acquisition of other long-term assets	**(1,278)**	(410)
Acquisition of interests in an associate	**–**	(1,167,030)
Proceeds from withdrawal of other deposits	**1,200**	150,000
Interest received	**23,280**	31,168
Loans to an associate	**(287,000)**	(287,000)
Repayments of loans to an associate	**287,000**	287,000
Dividends received from an associate	**–**	31
Dividends received from a joint venture	**3,000**	–
Placement of pledged bank deposits	**(490)**	(1,860)
Proceeds from disposal of an associate	**–**	12,824
Dividends received from an available-for-sale investment	**–**	2,958
Net cash used in investing activities	**(117,457)**	(1,157,577)
Financing activities		
Repayments of borrowings	**(7,719,430)**	(6,790,180)
Proceeds from new borrowings	**7,925,445**	7,631,921
Interests paid	**(67,754)**	(32,507)
Dividends paid	**(57,658)**	(57,731)
Net cash generated from financing activities	**80,603**	751,503
Net (decrease)/increase in cash and cash equivalents	**(450,370)**	134,134
Cash and cash equivalents as at 1 January	**639,851**	462,890
Effect of foreign exchange rates changes	**2,076**	380
Cash and cash equivalents at 30 June	**191,557**	597,404

The notes on pages 32 to 53 form part of this interim financial report.

Notes to 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 authorised for issuance on 25 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 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 2015 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 Hong Kong Financial Reporting Standard ("HKFRS").

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 2015 that is included in the interim financial report as comparative information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2015 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 31 March 2016.

1 Basis of preparation (continued)

As at 30 June 2016, the Group's current liabilities exceeded its current assets by approximately RMB3.08 billion. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. Considering the Company's sources of liquidity and the unutilized bank facilities of approximately RMB21.68 billion as at 30 June 2016, the directors of the Company believe that adequate funding is available to fulfill the Group's debt obligations and capital expenditure requirements when preparing the financial statements for the period ended 30 June 2016. Accordingly, the financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

2 Changes in accounting policies

The HKICPA has issued the following amendments to HKFRS that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to HKFRSs 2012-2014 Cycle*
- Amendments to HKAS 1, *Presentation of financial statements: Disclosure initiative*

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

Annual Improvements to HKFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34, *Interim financial reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

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 2016			
	Marketing RMB'000	**Production RMB'000**	**Elimination RMB'000**	**Total RMB'000**
Revenue				
External revenue	7,983,822	925,000	–	8,908,822
Internal revenue	451,880	1,303,685	(1,755,565)	–
Segment revenue	8,435,702	2,228,685	(1,755,565)	8,908,822
Segment gross profit	256,076	98,823	–	354,899
Segment loss	(16,302)	(311,043)	–	(327,345)
Share of results of associates	430	27,145	–	27,575
Share of results of joint ventures	(2)	(2,248)	–	(2,250)
Unallocated expenses				(30,655)
Unallocated income				28,343
Finance costs				(180,755)
Loss before taxation				(485,087)
As at 30 June 2016				
Segment assets	5,752,947	5,975,640	–	11,728,587
Segment liabilities	4,535,342	1,243,453	–	5,778,795

3 Segment reporting (continued)

	For the six months ended 30 June 2015			
	Marketing RMB'000	Production RMB'000	Elimination RMB'000	Total RMB'000
Revenue				
External revenue	15,602,458	1,098,734	–	16,701,192
Internal revenue	726,387	2,165,994	(2,892,381)	–
Segment revenue	16,328,845	3,264,728	(2,892,381)	16,701,192
Segment gross profit	724,448	335,750	–	1,060,198
Segment profit	459,583	16,464	–	476,047
Share of results of associates	421	28,454	–	28,875
Share of results of joint ventures	(11)	13,646	–	13,635
Unallocated expenses				(38,665)
Unallocated income				57,580
Finance costs				(102,798)
Profit before taxation				434,674
As at 31 December 2015				
Segment assets	7,644,690	6,541,244	–	14,185,934
Segment liabilities	6,859,177	1,218,067	–	8,077,244

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss)/profit represents the (loss)/profit earned by each segment without taking into account of unallocated expenses/income, share of results of associates and joint ventures and finance costs. This is the measure reported to the Group's CODM for the purposes of resource allocation and performance assessment.

4 (Loss)/Profit before taxation

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

(a) *Finance costs*

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Interest on borrowings		
– wholly repayable within five years	**182,784**	113,575
Less: interest expense capitalized *(note)*	**(2,029)**	(10,777)
	180,755	102,798

Note: The capitalization rates used to determine the amount of borrowing costs eligible for capitalization related to construction of plant are 5% for the current period (the corresponding period in 2015: 5.54%).

(b) *Other items*

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Depreciation and impairment losses of property, plant and equipment	**186,266**	183,652
Release of lease prepayments	**6,589**	6,236
Amortization of mining rights	**16,101**	16,093
Amortization of other long-term assets	**2,991**	2,945
Deferred income released	**(4,164)**	(6,550)
Impairment loss on interests in an associate	**60,000**	–
Write-down of inventories	**26,605**	7,014
Write-down of trade receivables	**–**	9,120
Write-down of other receivables and advance payments	**–**	11,875
Reversal of collectible receivables	**–**	(9,488)
Loss on disposal of property, plant and equipment	**1,077**	230

5 Income tax

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Current tax – Hong Kong Profits Tax	**–**	–
Current tax – PRC Enterprise Income Tax	**3,069**	5,567
Deferred taxation	**7,104**	90,168
	10,173	95,735

(i) The provision for Hong Kong Profits Tax is calculated by applying at 16.5% (2015: 16.5%) of the estimated assessable profits for the six months ended 30 June 2016.

(ii) The provision for the PRC Enterprise Income Tax is based on the statutory rate of 25% (2015: 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 2016, 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 (Loss)/Earnings per share

The calculation of basic and diluted (loss)/earnings per share is as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
(Loss)/Profits		
(Loss)/Profits for the purpose of basic/diluted (loss)/earnings per share	**(432,134)**	342,040
	'000 shares	'000 shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic/diluted (loss)/earnings per share	**7,024,456**	7,024,456

7 Property, plant and equipment

During the six months ended 30 June 2016, items of property, plant and equipment with a net book value of RMB5,722,000 were disposed (the corresponding period in 2015: RMB1,431,000), resulting in a loss on disposal of RMB1,077,000 (the corresponding period in 2015: RMB230,000).

8 Goodwill

	2016	2015
	RMB'000	RMB'000
Cost		
At 1 January	**829,752**	812,319
Exchange adjustments	**6,025**	17,433
Carrying Amount		
At 30 June/31 December	**835,777**	829,752

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	At 31 December
	2016	2015
	RMB'000	RMB'000
Marketing	**271,186**	265,823
Production		
– Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong")	**531,074**	531,074
– Others	**33,517**	32,855
	835,777	829,752

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 2016 approved by the directors of the Company. The growth rates for the first 3 years from 2017 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 2016 (for the corresponding period in 2015: nil).

9 Interests in associates

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
At the end of reporting period, cost of investment in associates:		
– Listed in the PRC	**4,886,066**	4,886,066
– Unlisted	**391,487**	391,429
Goodwill	**5,122,018**	5,122,018
Share of profits, net of dividends	**1,201,785**	1,174,914
Share of the associate's net assets changes	**(16,610)**	–
	11,584,746	11,574,427
Less: impairment loss	**(60,000)**	–
	11,524,746	11,574,427
Fair value of listed investments	**8,040,204**	9,785,424

9 Interests in associates (continued)

All of the associates are accounted for using the equity method in the consolidated financial statements. Share of the associate's net assets changes represents the Company equity-accounts its share of Qinghai Salt Lake Industry Co., Ltd.'s net assets changes ("Qinghai Salt Lake", an associate of the Group), which is other than profit, other comprehensive income and dividend distributions of Qinghai Salt Lake.

The recoverable amount of the interest in Qinghai Salt Lake was estimated by the directors with reference to the investment's value-in-use, which is derived by estimating the Group's share of the present value of the estimated future cash flows expected to be generated by Qinghai Salt Lake, including the cash flows from the operations and the proceeds from the ultimate disposal of the interest. 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 historical experience and expectations of future changes in the market. The directors of the Company estimated discount rates using pre-tax rates that reflect current market assessment of the time value of money and the risks specific relating to Qinghai Salt Lake. Since the value-in-use of Qinghai Salt Lake is lower than its carrying amount, the Company recognized an impairment loss amounting to RMB60 million in respect of the interest in Qinghai Salt Lake as at 30 June 2016.

10 Trade and bills receivables

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Trade receivables	**217,395**	68,798
Bills receivables	**113,422**	279,299
Trade and bills receivables	**330,817**	348,097

10 Trade and bills receivables (continued)

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 2016 RMB'000	At 31 December 2015 RMB'000
Within 3 months	**308,539**	285,558
Over 3 months but within 6 months	**12,278**	33,091
Over 6 months but within 12 months	**565**	1,914
Over 12 months	**9,435**	27,534
	330,817	348,097

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 good credit quality.

Included in the Group's trade receivables are debtors with aggregate carrying amount of RMB12,506,000 (as at 31 December 2015: RMB36,582,000) which are past due at the end of the reporting period for which the Group has not provided for allowance for doubtful debts as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

11 Trade and bills payables

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Trade payables	1,834,793	4,614,655
Bills payables	2,614,250	1,382,747
Trade and bills payables	4,449,043	5,997,402

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 2016 RMB'000	At 31 December 2015 RMB'000
Within 3 months	2,418,105	4,501,446
Over 3 months but within 6 months	859,310	1,318,698
Over 6 months but within 12 months	1,001,878	21,854
Over 12 months	169,750	155,404
	4,449,043	5,997,402

12 Other payables and receipt in advance

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Payroll payable	23,665	84,691
Consideration payable for acquisition of Sinochem Yunlong	230,000	230,000
Others	427,019	320,819
Other payables	680,684	635,510
Receipt in advance	674,976	1,357,872
Other payables and receipt in advance	1,355,660	1,993,382

13 Interest-bearing borrowings

(a) *The analysis of the carrying amount of interest-bearing borrowings is as follow:*

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Bank loans, unsecured	–	673,430
Borrowings from Sinochem Group	1,299,445	200,000
Borrowings from Sinochem Finance Co., Ltd. ("Sinochem Finance")	690,000	60,000
Borrowings from Sinochem Hong Kong (Group) Co., Ltd. ("Sinochem HK")	–	850,000
Bonds *(note)*		
Principle amount	2,500,000	2,500,000
Less: unamortized transaction costs	(7,990)	(9,165)
	4,481,455	4,274,265

Note: On 25 November 2009, a PRC subsidiary of the Group issued corporate bonds with an aggregate principal amount of RMB2.5 billion with a maturity of 10 years at a fixed interest rate of 5% per annum. The transaction costs of RMB23,265,000 directly attributable to issuance of the bonds have been deducted from the principal amount of the bonds. The repayment of the bonds is guaranteed by Sinochem Group.

All of the interest-bearing borrowings are carried at amortized cost.

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Carrying amount repayable:		
Within 1 year	1,989,445	1,583,430
More than 1 year, but within 5 years	2,492,010	2,690,835
	4,481,455	4,274,265
Less: amounts due within 1 year shown under current liabilities	(1,989,445)	(1,583,430)
Amounts shown under non-current liabilities	2,492,010	2,690,835

13 Interest-bearing borrowings (continued)

(b) *Unutilized banking facilities*

As at 30 June 2016, the Group's available unutilized banking facilities were approximately RMB21,684,476,000 (as at 31 December 2015: approximately RMB20,168,999,000).

At June 30 2016, certain property, plant and equipment with carrying values of approximately RMB7,571,000 (as at 31 December 2015: RMB7,951,000) were pledged to secure banking facilities.

14 Short-term commercial paper

One of the Group's subsidiaries issued a one-year commercial paper of RMB2 billion in the PRC debenture market on 19 October 2015. This commercial paper bears fixed interest rate of 3.4% per annum and interests are paid annually. Interest payable for the current period was included in other payables.

15 Dividends

The Board of Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2016 (the corresponding period in 2015: nil).

During the six months ended 30 June 2016, the final dividend for the year ended 31 December 2015 of approximately RMB57,658,000 at HK$0.0097 (approximately RMB0.0082) per share has been paid (the corresponding period in 2015: approximately RMB57,731,000 at HK$0.0104 (approximately RMB0.0082) per share).

16 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, categorised 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

16 Fair value measurement of financial instruments (continued)

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

	Fair value at 30 June 2016 RMB'000	Fair value measurements as at 30 June 2016 categorized into		
		Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**
Available-for-sale investments				
– Listed	**110,036**	**110,036**	**–**	**–**
Other financial asset				
– Forward exchange contracts	**8,797**	**–**	**8,797**	**–**

	Fair value at 31 December 2015 RMB'000	Fair value measurements as at 31 December 2015 categorized into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Available-for-sale investments				
– Listed	130,853	130,853	–	–

During the six months ended 30 June 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2015: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

16 Fair value measurement of financial instruments (continued)

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

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values as at 30 June 2016 and 31 December 2015 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	At 30 June 2016		At 31 December 2015	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Financial liabilities	**2,492,010**	**2,563,638**	2,490,835	2,563,638

17 Commitments

(a) Capital commitments

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Contracted but not provided for		
– Property, plant and equipment	**35,931**	46,017
Authorized but not contracted for		
– Property, plant and equipment	**424,212**	546,315
– Investments in an associate and others	**300,000**	300,000
	760,143	892,332

17 Commitments (continued)

(b) Operating lease commitments

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The leases have varying terms and renewal rights which give the Group a priority in renewing these operating lease agreements at market price.

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 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 year	**39,776**	44,617
Over 1 year but within 5 years	**16,378**	28,339
Over 5 years	**1,957**	2,174
	58,111	75,130

18 Related party transactions

(a) Transactions with related parties

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Sales of fertilizers to		
Ultimate holding company	**21,779**	28,862
Joint ventures	**84,065**	177,425
Associates	**9,986**	–
	115,830	206,287
Purchases of fertilizers from		
Ultimate holding company	**107,552**	308,339
Joint ventures	**502,916**	653,261
Associates	**763,357**	842,291
A fellow subsidiary	**–**	17,073
A subsidiary of a shareholder with significant influence over the Company	**–**	6,572
	1,373,825	1,827,536
Import service fee paid to		
A fellow subsidiary	**8,669**	9,712
Ultimate holding company	**784**	1,951
	9,453	11,663
Office rental fee paid to		
Immediate holding company	**2,710**	3,203
Fellow subsidiaries	**10,930**	10,774
	13,640	13,977

18 Related party transactions (continued)

(a) *Transactions with related parties (continued)*

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Consideration paid for acquiring interests in an associate	**–**	1,167,030
Loans to an associate	**287,000**	287,000
Repayments of loans to an associate	**287,000**	287,000
Interest income due from an associate	**18,278**	21,260
Loans from related parties		
A fellow subsidiary	**4,926,000**	150,000
Immediate holding company	**–**	1,500,000
Ultimate holding company	**1,299,445**	–
	6,225,445	1,650,000
Repayments of loans from related parties		
A fellow subsidiary	**4,296,000**	50,000
Immediate holding company	**850,000**	900,000
Ultimate holding company	**200,000**	–
	5,346,000	950,000
Interest expenses for loans from related parties		
A fellow subsidiary	**14,761**	1,124
Immediate holding company	**14,946**	6,264
Ultimate holding company	**988**	1,358
	30,695	8,746

18 Related party transactions (continued)

(b) Balances with related parties

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Other receivables		
Beijing Chemsunny Property Co., Ltd.	**10,240**	9,858
Sinochem HK	**1,466**	1,437
Yangmei Pingyuan Chemical Co., Ltd. ("Yangmei Pingyuan")	**1,014**	6,774
	12,720	18,069
Advance payments		
Qinghai Salt Lake	**152,693**	19,519
Yangmei Pingyuan	**22,182**	12
	174,875	19,531
Loans to an associate		
Yangmei Pingyuan	**670,000**	670,000
Trade payables		
Sinochem Group	**137,733**	2,491,664
Yunnan Three Circles-Sinochem Fertilizer Co., Ltd.	**118,092**	28,408
Yangmei Pingyuan	**68**	73
Guizhou Xinxin Chemical Group Co., Ltd.	**4,966**	4,966
Gansu Wengfu Chemical Co., Ltd.	**9,368**	2,408
	270,227	2,527,519

18 Related party transactions (continued)

(b) Balances with related parties (continued)

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Other payables		
Sinochem Group	–	446
Sinochem (United Kingdom) Limited	8,760	–
Yangmei Pingyuan	47,675	47,675
	56,435	48,121
Borrowings from related parties *(note)*		
Sinochem Group	1,299,445	200,000
Sinochem Finance	690,000	60,000
Sinochem HK	–	850,000
	1,989,445	1,110,000
Receipt in advance		
Sinochem Group	–	38
Yunnan Three Circles-Sinochem – Mosaic Fertilizer Co., Ltd. ("Sinochem Mosaic")	1,668	–
	1,668	38
Interests payable to related parties		
Sinochem Group	276	83
Sinochem Finance	1,523	470
Sinochem HK	27,727	12,780
	29,526	13,333

Note: Borrowings from Sinochem Group are borrowed with a maturity period with 1 year at a fixed interest rate of 3.82% per annum.

Borrowings from Sinochem Finance are borrowed with a maturity period within 1 year at fixed interest rates ranging from 2.10% to 3.92% per annum.

18 Related party transactions (continued)

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

The Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by Chinese government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under Sinochem Group which is controlled by Chinese 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 government-related entities. The directors of the Company consider those government-related 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	
	2016	2015
	RMB'000	RMB'000
Sales of fertilizers	**626,475**	2,216,954
Purchases of fertilizers	**2,055,584**	1,961,575

(d) Compensation of key management personnel

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Salaries and other benefits	**4,126**	4,005
Retirement benefit scheme contributions	**206**	188
Fees	**628**	529
	4,960	4,722

19 Events after the Reporting Period

(a) Sinochem Fertilizer Company Limited ("Sinochem Fertilizer", a subsidiary of the Company) completed several financing activities listed below after the reporting period:

(i) The first tranche of the medium-term notes for the year of 2016 in an amount of RMB1 billion, with a term of three years and at a coupon rate of 3.50% per annum, was issued on 22 July 2016;

(ii) The first tranche of super & short-term commercial paper for the year of 2016 in an amount of RMB1 billion, with a term of 120 days and at a coupon rate of 2.67% per annum, was issued on 15 August 2016;

(iii) The second tranche of super & short-term commercial paper for the year of 2016 in an amount of RMB1 billion, with a term of 267 days and at a coupon rate of 2.90% per annum, was issued on 19 August 2016; and

(iv) The third tranche of super & short-term commercial paper for the year of 2016 in an amount of RMB1 billion, with a term of 266 days and at a coupon rate of 2.90% per annum, was issued on 24 August 2016.

(b) On 11 August 2016, Sinochem Fertilizer and Yunnan Yuntianhua Co., Ltd. ("Yuntianhua") entered into the equity transfer contract and the supplemental agreement, pursuant to which Sinochem Fertilizer agreed to transfer its 25% equity interest in Sinochem Mosaic to Yuntianhua for a preliminary consideration of RMB90,148,450 (subject to the deduction of dividends distributed to the shareholders of Sinochem Mosaic in the year 2015 and employees' benefits and bonus fund appropriated in the year 2015, as well as any adjustment that may be made based on an audit by an independent auditor on Sinochem Mosaic for the transitional period).

Additional Information

Interim Dividend

The board of directors of the Company (the "Board") did not recommend the declaration of interim dividend for the six months ended 30 June 2016.

Directors' Interests in Shares and Underlying Shares of the Company

As at 30 June 2016, 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 out 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 2016, a director of the Company had long position in the shares 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 2016, 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 and as at 30 June 2016, was the Company or any of its subsidiaries or holding companies or the subsidiaries of the holding companies a party to any arrangement to enable the directors or chief executives of the Company or any of their spouses or children under the eighteen years of age has interest to acquire benefits by means of the acquisition of shares in, or debt securities of, the Company or any other body corporate.

Substantial Shareholders

As at 30 June 2016, 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) Co., Ltd ("Sinochem HK") *(Note b)*	3,698,660,874	52.65%
Potash Corporation of Saskatchewan Inc. ("PotashCorp") *(Note c)*	1,563,312,141	22.26%

Notes:

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

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

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

Save as disclosed above, other than the directors or chief executives of the Company, the Company has not been notified of any other relevant interests or short positions held by any other person in the issued share capital of the Company as at 30 June 2016, 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 has adopted share option schemes to enable the Group to recruit and retain senior executives and key employees, attract human resources that are valuable to the Group and any invested entity and motivate employees' performance measurable against key drivers of value to shareholders. On 28 June 2007, the Company passed a resolution in a shareholders' meeting for the adoption of the current share option scheme ("Share Option Scheme"). The scope of participants under the Share Option Scheme encompasses employees, proposed employees, directors (but excluding independent non-executive directors) of the Company and its subsidiaries, and the invested entities.

The Company granted share options on 28 August 2007 under the Share Option Scheme. 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 2016, 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 2016.

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. The Company has made specific enquiries with all directors of the Company, and all directors confirmed that they had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2016.

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 practices on corporate governance, and complies with the applicable corporate governance standards contained in relevant code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2016 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 of the Company held on 3 June 2016 (the "2016 AGM"), Mr. Ning Gao Ning, Chairman of the Board, did not chair the meeting due to other essential business engagements. In order to ensure smooth holding of the 2016 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, nomination and corporate governance committees of the Company were present at the 2016 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 2015 annual report for more information about the corporate governance of the Company.

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 2016, including the review of the accounting principles and practices adopted by the Group. The Audit Committee has also discussed with the management about auditing, risk management, internal controls, and financial reporting matters of the Group.

Disclosure of Information of Directors

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

As resolved by the Remuneration Committee on 30 March 2016, Mr. Wang Hong Jun, Executive Director and Chief Executive Officer of the Company, and Mr. Harry Yang, Executive Director of the Company, were entitled to the performance bonus payment of RMB1,513,778 and RMB1,067,040, respectively, determined with reference to the operating results of the Group and their respective individual performance in 2015.

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. Ning Gao Ning (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, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius.

On 8 March 2016, Mr. Liu De Shu resigned as chairman of the Board and non-executive director of the Company due to age reason. Mr. Ning Gao Ning was appointed as chairman of the Board and non-executive director of the Company on the same day. Subsequent to his appointment, Mr. Ning was re-elected by the shareholders of the Company at the annual general meeting held on 3 June 2016.

For and on behalf of the Board

Ning Gao Ning
Chairman of the Board

Hong Kong, 25 August 2016