中化化肥控股有限公司

SINOFERT HOLDINGS LIMITED

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

Nurturing China's
Agriculture
Sector

2017
INTERIM REPORT

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Corporate Information

Board of Directors
Non-Executive Director
Mr. ZHANG Wei *(Chairman)*

Executive Directors
Mr. QIN Hengde *(Chief Executive Officer)*
Mr. Harry YANG

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

Independent Non-Executive Directors
Mr. KO Ming Tung, Edward
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. QIN Hengde *(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

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

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Chairman's Statement

Dear Shareholders,

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 2017.

During first half 2017, the macro-market environment affecting the Group's operations was characterized by a continuous trend in China's agricultural planting structural readjustment, depressed grain prices and little improved oversupply in the fertilizer industry. The Group steadfastly pushed forward the strategic projects made out at the beginning of the year, and adopted active measures to ward off the negative factors. Major efforts were made in re-organizing the Group's internal structure and reforming the reward incentive mechanism to promote the efficiency and enthusiasm of the business teams and their members. Further progress was made in concentrating purchases from strategic suppliers, achieving operational synergy among various business units and restricting the cost and expenses of the subsidiaries, which had helped to reduce the Group's operation cost. During the reporting period, the Group achieved a total sales volume of 6.09 million tons, up by 16.89% year on year; sales revenue was RMB10,469 million, up by 17.51% year on year; profit attributable to owners of the Company was RMB13 million. In addition, the Group's key performance indicators (KPI) were good and rated "BBB+" by FitchRatings in March 2017. The overall expenses went down year on year, and were under control within the budget number; asset-liability structure maintained stable and solvency was strong; accumulative operating cash flow recorded a net inflow; and total inventories were lower year on year, while inventory turnover was faster. At the same time, the operating abilities of the Group were consolidated and improved, with the strategic relationships with international suppliers continuing to be stable.

Chairman's Statement

China's fertilizer industry would continue to face big challenges in the second half of 2017. The Group will make greater efforts in renovating and transitioning its business mode by taking advantage of the opportunities brought by government policies and actions in vigorously promoting agricultural modernization and renovating agricultural production systems.

In the second half year, the Group will focus on its business transition and upgrading, and continue to optimize its business structure so as to achieve sustainable and stable growth. The Group will work to strengthen its strategic cooperation with major domestic and international suppliers, consolidate the purchases from strategic suppliers and improve the synergy among the subsidiaries, enhance the marketing and operating abilities for the Group's strategic products and continue to enhance customer management and open up new markets through streamlining and optimizing the marketing channels. We will also promote the transition to a technical service channel, strengthen the team building and management of agro-technicians, and strive to achieve specialized growth of the basic fertilizers and distribution businesses through upgrading the business mode and innovation. In the production sector, we will enhance the management of the enterprises and implement more strict performance evaluation mechanism so as to reduce the cost and improve the profit. More work will also be done in quickly readjusting production layout by tapping into the potentials of existing capacities and bringing in new and advanced capacities through mergers and acquisitions. Top priority will also be attached to risk control and safety management so as to ensure operating safety.

Last but not the least, on behalf of the Board I would like to extend our heartfelt appreciation to the shareholders and customers of the Company, and hope to have your continuous concern and support in the future. We firmly believe that the management and staff members of the Group will bear in mind the belief of "creating value and pursuing excellence", and continue to work hard and make greater contributions to the development of the Group.

Zhang Wei
Chairman of the Board

Hong Kong, 24 August 2017

Business Environment

The world economy started to recover from the earlier slump in the first half of 2017. Global economic activities gradually stabilized; the recovery process of the manufacturing industry and global trade was accelerated; market confidence was boosted; and international financing environment continued to improve. However, due to the growing trade protectionism, the increased policy uncertainty and the possible volitility in the financial market, the future economic development was faced with significant risks. In the first half of 2017, the Chinese economy made steady progress, the GDP growth rate rebounded to 6.9%, presenting a sound overall situation of steady growth, positive employment, stable price, increased income and optimized structure. The stability, coordination and sustainability of economic development were enhanced, and the effectiveness of supply-side reform continued to emerge. Due to the favorable policies including the lowering of export tax for fertilizers, the fertilizer market rebounded to some extent and the price for fertilizer products increased. It is expected that the trend of stable economic performance with good momentum for growth will be further consolidated and expanded in the second half of the year. At the same time, there are still many unstable and uncertain factors in the world, China's long-term accumulated structural contradictions are still prominent, and the growth rate of the Chinese economy may slow down in the second half of the year.

In the first half of 2017, the Chinese and the global economy saw some recovery. However, the operation of the fertilizer enterprises was also faced with significant challenges. The prices of rice and wheat in the major grain producing areas of China declined to different degrees. In the context that China was lowering the minimum purchase price of rice across the board, the price of rice fell slightly, while the price of wheat saw a drop due to ample supply after the new harvest. After the Spring Festival, the price of corn bottomed out with the delivery of corn out of temporary warehouse reduced and the demand from the livestock breeding industry increased, but the corn planting area still kept a downtrend. In China, the price fall of the three staple food grains, the reduction of farmers' income and the decline of planting area continued to affect upstream agricultural input industry, especially the fertilizer industry. With the continuous adjustment of agricultural planting structure, and the implementation of the policy of zero-growth in the use of chemical fertlizers by 2020, there was no fundamental change in the oversupply of the fertilizer industry, and enterprises were still faced with tremendous pressure to survive.

In the context of a slow recovery of the macro economy, in the face of a still severe market situation and under the leadership of the board of directors, the Group is accelerating the process of reform, innovation, transformation and upgrading in accordance with the established strategy, striving to become the world's leading provider of agricultural inputs and agrochemical service, creating value for customers, shareholders, employees and the society, and helping agriculture to increase output and farmers to increase income in China.

Financial Highlights

For the six months ended 30 June 2017, the Group's revenue amounted to RMB10,469 million, up by 17.51% over the corresponding period of 2016; and profit attributable to owners of the Company amounted to RMB13 million and turned losses into profits, which was mainly attributable to that the Group seized the opportunities of a recovering market, carried out effective strategic transformation and institutional reform, promoted reform in the remuneration mechanism, improved the enthusiasm and efficiency of the business teams and members, strengthened the concentration of strategic procurement and the synergy among the subsidiaries, enhanced operational efficiency, strictly controlled the cost and achieved significant improvement in business performance.

Resource Support

In the first half of 2017, 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 123,000 tons of phosphate rock. For mine construction, Sinochem Yunlong carried out basic construction for Mozushao capacity expansion project and the prospecting field work of Dawan mine was completed, and is working on resource registration. All above has laid a good foundation for the sustainable development of the Group's phosphate fertilizer and phosphoric chemical industries and ensured 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 improve management and constantly promote the "three basics" among production subsidiaries, launching benchmarking management of technology, carrying out technological upgrading and potential exploration, eliminating key factors hindering the release of production capacity, enhancing the process management in production, carrying out cost control and performance management 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 519,000 tons of phosphate, compound fertilizers and other products. Faced with a market downturn, Sinochem Fuling adjusted and continuously optimized its product mix of phosphate and compound fertilizers, increased the production of high value-added products including DAP and fine phosphates, maintained the efforts made in scientific and technological innovation and explored ways for upgrading and sustainable development.

Sinochem Jilin Changshan Chemical Co., Ltd. ("Sinochem Changshan"), a subsidiary of the Group, produced 182,000 tons of urea, compound fertilizers and other products in the first half of 2017. When the urea price continued to run at a low level, Sinochem Changshan, based on its geographical advantage in Northeast China, deepened the integration of production and marketing, promoted the upgrading, transformation and optimization of the facilities, actively carried out research and developed high value-added products.

Sinochem Yunlong produced 157,000 tons of Monocalcium/Dicalcium Phosphate (MCP/DCP) in the first half of 2017, with a sales volume of 160,000 tons. Sinochem Yunlong vigorously promoted the brand name recognition for its MCP/DCP products and enhanced the influence of its own brand; optimized the internal organizational structure in order to improve the operation efficiency; cooperated with research institutes, 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. 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". Through branding, market segmentation, product differentiation and logistic service optimization, Sinochem Yunlong stabilized the market position of its products; and endeavoured to promote the integration of production and marketing, adjust the product structure according to market demand, in order to improve the profitability of terminal marketing while further releasing production capacity.

Marketing Business

Taking into consideration the characteristics of China's agriculture and based on customer orientation, the Group set up the Basic Fertilizers Division and Distribution Division; and through system reform and model innovation, the Group continuously consolidated the operation foundation. Sales volume for the first half of 2017 reached 6.09 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.

Basic Fertilizers Operation: The Basic Fertilizers Division is mainly responsible for the operation of straight fertilizers, such as nitrogen, phosphate and potash. In the first half of 2017, according to the Group's requirements of strategic transformation and reform and innovation, Basic Fertilizers Division focused on enhancing strategic purchase and improving the proportion of industrial customer sales, constantly stabilized the profit model, and continued to consolidate its market position as the No.1 domestic fertilizer trader, so as to provide continuous and stable profit for its transformation and development. The Group did analysis and market research according to the historical data, selected 26 strategic suppliers, and signed strategic cooperation agreements with major fertilizer and chemical enterprises in China, in order to ensure the stable and low-price supply. Meanwhile, direct sales to industrial customers was continuously strengthened, and the number of industrial customers increased by 110 year-on-year, sales volume to industrial customers increased by 130,000 tons. The business of basic fertilizers focused on increasing the major customers' stickiness while creating the direct selling system. Among the top ten industrial customers of all provinces, the customers of multi-fertilizer portfolios accounted for about 51%, and the sales to the above customers increased sharply.

Sales volume of potash fertilizer amounted to 1.37 million tons in the first half of 2017. Regarding the potash business, the Group continued to consolidate its partnership with core suppliers, explore diversified procurement channels, developed new products through joint cooperation, kept expanding the core customer system, enhanced the standard of customer service and operation efficiency, built regional and price advantages for the products and played a leading role in the market. 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.

Sales volume of nitrogen fertilizer amounted to 1.77 million tons. Faced with depressed agricultural demand and low operating rate of compound fertilizer plants in the first half of 2017, the Group expanded customer channels and focused on purchasing from strategic suppliers in order to improve the guaranteed capacity of product supply as well as efficiency between purchase and sales. The Group accelerated inventory turnover and lowered physical inventory. Additionally, the Group constantly increased the inputs for new products development and further enhanced the operation scale and profit of differentiated nitrogen fertilizer, ammonium chloride, ammonium sulfate and other nitrogen fertilizer products.

Sales volume of phosphate fertilizer amounted to 1.08 million tons in the first half of 2017. By studying and estimating the severe market situation in the first half of 2017, the Group insisted on strengthening phosphate strategic purchasing through sourcing from its subsidiaries, associates and joint ventures and strategic off-take agreement with phosphate suppliers that the Group keep relationship with. The Group focused on marketing, built a direct selling team of phosphate as well as strengthened distribution network construction. By implementing flexible market policies, the Group further implemented customized marketing strategy and persisted in expanding the phosphate distribution business.

Distribution Operation: The Distribution Division is mainly responsible for the building of distribution channels for the Group and the operation of compound fertilizers, specialty fertilizers and other fertilizer products. Sales volume of the compound fertilizers amounted to 1.32 million tons in the first half of 2017. The Group enhanced the marketing service capacity of the distribution channels, strengthened the operation and management system featuring the integration of production and marketing, optimized the product structure and realized rapid growth in the sales of compound fertilizers. The Group also promoted strategic transformation of technology and service-oriented marketing, fostered core products equipped with technology and enhanced the market competitiveness and the value-added capacity of the products.

The Group valued the quality enhancement of distribution channels and increased market inputs. As of 30 June 2017, more than 7,200 franchise stores were licensed and upgraded to continuously consolidate the customer base. Combined with the development trend of modern agriculture, the Group established 98 grass-roots level agricultural service centers, formulated fertilization manual of different crops and regions, focused on the promotion of crop cultivation application technology as well as carried out more than 11,000 agrochemical service activities of "Sinochem Dedicating to Rural Prosperity" under the Group's agricultural service strategy and strengthened the service capability for customers.

Under the policy of zero-growth in fertilizer application and aiming at changing fertilizer application pattern and enhancing fertilizer utilization efficiency, the Group promoted innovative projects such as water and fertilizer integration and intelligent fertilizer and constructed 61 fertilizer stations. Through the construction and promotion of the agricultural service platform, the Group effectively guided the professional farmers to establish the concept of scientific fertilization, which contributed to the sound and sustainable development of China's modern agriculture.

In addition, the Group enhanced the comprehensive management of compound fertilizers unit, and improved the overall operational efficiency. Based on the principle of maximizing the overall benefit, the company established and improved the cooperation mechanism of the compound fertilizer production enterprises and the local branches, and defined the rights and obligations of all operation units, effectively improving the professional abilities of business entities, reducing the internal waste between production and sales, largely increasing the synergies, and promoting operating rate of plants and the operation scale of local branches. In order to clearly divide rights and responsibilities of various business units, the Distribution Division carried out unified management through product planning, cost control and pricing and plan management. It separated and integrated the marketing channels of the production enterprises and local branches, effectively eliminating the internal competition on the market, and reducing the internal friction to improve the efficiency of the supply chain. The production enterprises are responsible for production improvement so as to ensure quality and reduce cost; while the local branches focus on the ability improvement of marketing and technical services, channel construction and maintenance, develop product policy and corresponding marketing program according to the regional market situations, and constantly improve the professional abilities.

Internal Control and Management

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") of 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 warning management mechanism and adopted corresponding measures. In the first half of 2017, taking into consideration the requirement of the Group's development strategy of taking root in modern agriculture, the Group set up the Basic Fertilizers Division and Distribution Division and strengthened the building of business units and operation risk control. The Group also optimized the structure of functional departments and the Financial Management Department, Basic Fertilizers Division, Distribution Division and the production segment carried out risk management and internal control at different levels. The group re-defined departmental functions and responsibilities, systematically combed and reconstructed the management system in compliance with the standards of "streamlining, efficiency and clear powers and responsibilities" and formulated 31 core operation and management systems in the first half of 2017. Also, the Group ensured the smooth transition of the company's organizational structure and effective implementation and improvement of the risk management system through intensive inspection and evaluation in the first half of 2017. 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 sound 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 2017, centering on the goal of "deepening the structural reform of agricultural supply side", 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 together with the Ministry of Agriculture and local agricultural departments, 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 the "One Package" Alliance of National Agricultural Science and Technology Innovation Program led by the Ministry of Agriculture, the Group was responsible for organizing the National Tech Innovation Alliance for Reducing Fertilizer Use by Enhancing Fertilizer Efficiency (the "Alliance"). The launching conference for the Alliance, whose establishment was ratified by the Ministry of Agriculture and led by Sinofert, was held in Chemsunny World Trade Center in Beijing on March 20, 2017. Officials from the Ministry of Agriculture, experts and enterprise representatives were present at the conference. Sinofert would like to take the roles of organizer and leader in the structural adjustment and decrement and synergism of the national fertilizer industry, focus on the key points – "using less" and "higher efficiency", lead the Alliance to pool resources and strengthen coordination, and strive to become the vanguard of agricultural supply-side reform. Under the above principle, the Group will organize major enterprises and scientific research institutions in the industry to jointly cope with current and urgent bottleneck problems, strengthen collaboration between scientific research institutes and enterprises, achieve industrial innovation, and boost the transformation and upgrading of agriculture.

Starting from 2015, Sinofert and Jiansanjiang Branch of Heilongjiang Farms & Land Reclamation Administration conducted further cooperation, set up a special project team, developed new specialty fertilizer of side deep fertilization for rice, carried out a lot of field experiments and demonstration activities and were dedicated to solve the problem of excessive fertilization and low fertilizer efficiency. Due to Sinofert's technological advantages of side deep fertilization for rice and good results of Sinofert's fertilizer used in such fertilization, the technology was rapidly promoted. The application area increased from over 4,000 *mu* in 2015 to 1.4 million *mu* in 2017. It was estimated that the income of farmers was increased by RMB168 million due to this technology. Jiansanjiang Side Deep Fertilization for Rice Meeting themed by "Sinochem Dedicating to Rural Prosperity" was held in Heilongjiang Province on May 15, 2017. At the meeting, technical experts from Sinofert showed farmers how to apply the side deep fertilizationt technology and helped farmers solve problems encountered while applying fertilizer.

China attaches great importance to the development of agriculture, and provides policy guarantee and resource support. Under such situation, the Group will continue to take root in modern agriculture, focus on the technological demands of farmers, and fulfill enterprise social responsibility centering around its main business. Under the guidance of the Chinese government, the Group will take action to reduce the use of chemical fertilizers and pesticides, deepen cooperation with agricultural sectors and scientific research institutes, as well as take scientific fertilization, agricultural science and technology innovation and the cultivation of new-type professional farmers as our key work. The Group will pool its internal and external resources to continuously provide quality, professional and efficient agricultural comprehensive service for Chinese farmers, and contribute to the development of China's agriculture.

The Group pays attention to sustainable development, social responsibility and humanistic care for employees. In the process of production and operation, the Group firmly establishes the "Red Line Awareness" of safety management, always adhere to the scientific, safe and environmental-friendly development concept. Additionally, the Group insists on the people-oriented principle, improves the HSE management system, focuses on the control of operating risk, enhances the level of intrinsic safety, and improves the management efficiency of HSE system. With the joint efforts of the HSE team, the goal of zero accident regarding production safety, environmental pollution and occupational disease was achieved in the first half of 2017.

The agriculture-oriented strategy is the foundation for reassuring the public; poverty alleviation is the responsibility of state-owned enterprises. The Group is determined to speed up the progress of local poverty alleviation, implementing "Package Product + Technical Service", "Projects of Agriculture-Enterprise Cooperation and Agriculture Benefited from Science and Technology with Vast Formulated Fertilizers", "Focus on Environment, Care for Ar Horqin Banner" and some other targeted poverty alleviation projects mainly in national-level and prefecture-level key poverty areas, such as Changfeng County of Anhui, Ar Horqin Banner and Linxi County of Inner Mongolia, Luochuan County of Shaanxi, Haidong City of Qinghai and Xundian County of Yunnan. The Group performed its duty as a state-owned enterprise and gave back to the society. In the first half of 2017, the Group provided soil testing services 358 times for poverty-stricken areas, formulated 13 kinds of formula fertilizers, provided 22,594 person-time of service, carried out 3,103 times of agrochemical services covering a total distance of 836,760 kilometers, constructed 13,621 *mu* of demonstration fields, improved crops' variety and quality for 99,721 *mu* of fields, helped farmers achieve an income increase of about RMB258 per *mu*, and donated 6.3 tons of fertilizers in total, creating great ecological, economic and social benefits for poverty-stricken areas. The Group also continued to carry out the grant program to help students to realize their dreams and raised a total of RMB53,300 for the students in Gamba County in Tibet, Ar horqin Banner of Inner Mongolia, Linxi County of Inner Mongolia and Delingha in Qinghai province and 64 students in primary school and secondary school benefited from the above program and finished school.

Outlook

China's agriculture is undergoing a historical transition and is at a crucial stage where there will be no making without breaking, and the new economic entities are rapidly rising. For the next few years, the Group will be confronted with the slowdown in the economic growth, acceleration of excessive production capacity elimination and the overlap of downturn periods for bulk commodities. The trend of large-scale, intensified, standardized and specialized development of Chinese agriculture will speed up. The Group believes that by relying on existing industrial capacity and technological capability, it can focus on solving the two fundamental issues of "effective management of arable land on a moderate scale" and "planting well" and realize business model innovation. Meanwhile, as the 13th Five-Year Plan mentioned, national agricultural strategy is that "the fundamental is arable land, the way is science and technology", the Group will emphasize on technological innovation, view the emerging scaled planting entities as the core, promote transformation for the existing business model and further create value for the shareholders.

Management Discussion and Analysis

For the six months ended 30 June 2017, sales volume of the Group was 6.09 million tons and revenue was RMB10,469 million, up by 16.89% and 17.51%, respectively, compared to the corresponding period in 2016.

For the six months ended 30 June 2017, gross profit of the Group was RMB905 million, up by 154.93% compared to the corresponding period in 2016; and profit attributable to owners of the Company was RMB13 million, returning to profitability.

I. Operation Scale

1. *Sales volume*

For the six months ended 30 June 2017, sales volume of the Group was 6.09 million tons, up by 16.89% from 5.21 million tons compared to the corresponding period in 2016. For the first half of 2017, the fertilizer market saw some recovery but was still oversupplied. The Group seized market opportunities, carried out a series of reform and innovation, internal restructuring, allocated internal resources, enhanced the efficiency of business units, and reformed the remuneration system to enhance the enthusiasm of business personnel, strengthened strategic partnership with core domestic and overseas suppliers and further enhanced market competitiveness. As a result, sales volume of major fertilizers was increased to various degrees. In particular, sales volume of potash, nitrogen, phosphate and compound fertilizer of the Group increased by 28.04%, 16.45%, 3.85% and 37.50%, respectively.

2. *Revenue*

For the six months ended 30 June 2017, the revenue of the Group was RMB10,469 million, up by RMB1,560 million, or 17.51% over the corresponding period in 2016. The increase rate of revenue was higher than that of sales volume (16.89%), which was mainly attributable to that the Group's average selling price increased by 0.54% year on year due to the rising prices of fertilizers in 2017.

The breakdown of revenue by products of the Group for the six months ended 30 June 2017 and the corresponding period in 2016 is as follows:

Table 1:

	For the six months ended 30 June			
	2017		2016	
	Revenue RMB'000	**As percentage of total revenue**	Revenue RMB'000	As percentage of total revenue
Potash Fertilizers	**2,368,008**	**22.62%**	2,054,835	23.07%
Nitrogen Fertilizers	**2,155,801**	**20.59%**	1,705,364	19.14%
Compound Fertilizers	**2,903,046**	**27.73%**	2,260,765	25.38%
Phosphate Fertilizers	**2,099,110**	**20.05%**	2,111,314	23.70%
MCP/DCP	**419,978**	**4.01%**	436,145	4.90%
Others	**523,385**	**5.00%**	340,399	3.81%
Total	**10,469,328**	**100.00%**	8,908,822	100.00%

3. *Revenue and result by segment*

The Group readjusted the strategies this year and changed its reportable segments, which have been identified as Basic Fertilizers, Distribution and Production respectively. Basic Fertilizers refers to the sourcing and trading of straight fertilizers such as nitrogen, phosphate and potash. Distribution refers to the building of distribution channels, sourcing and selling of compound fertilizers and new type of fertilizer. Production refers to the production and sales of fertilizers and MCP/DCP, etc.

The following is the analysis of the Group's revenue and profit by operating segment for the six months ended 30 June 2017 and the corresponding period in 2016, with restatement of financial data for the six months ended 30 June 2016 according to segment division this year:

Table 2:

	For the six months ended 30 June 2017				
	Basic Fertilizers RMB'000	**Distribution RMB'000**	**Production RMB'000**	**Elimination RMB'000**	**Total RMB'000**
Revenue					
External revenue	**6,674,346**	**2,734,773**	**1,060,209**	**–**	**10,469,328**
Internal revenue	**211,241**	**831**	**821,863**	**(1,033,935)**	**–**
Segment revenue	**6,885,587**	**2,735,604**	**1,882,072**	**(1,033,935)**	**10,469,328**
Segment gross profit	**470,753**	**233,499**	**200,264**	**–**	**904,516**
Segment profit/(loss)	**321,691**	**50,763**	**(5,258)**	**–**	**367,196**

	For the six months ended 30 June 2016				
	Basic Fertilizers RMB'000	Distribution RMB'000	Production RMB'000	Elimination RMB'000	Total RMB'000
Revenue					
External revenue	5,923,041	2,131,664	854,117	–	8,908,822
Internal revenue	216,409	555	930,418	(1,147,382)	–
Segment revenue	6,139,450	2,132,219	1,784,535	(1,147,382)	8,908,822
Segment gross profit	114,984	184,917	54,998	–	354,899
Segment (loss)/profit	(100,389)	21,163	(201,888)	–	(281,114)

Segment profit/(loss) represents the profit earned or loss made 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 assessment of segment performance and resource allocation.

The Group's segment profit for the six months ended 30 June 2017 was RMB367 million, among which, the segment profit of Basic Fertilizers and Distribution was RMB322 million, RMB51 million and the segment loss of Production was RMB5 million, respectively. This represented a huge increase in segment profit year-on-year, which was mainly attributable to recovery in the fertilizer market brought by the supply-side reform and the Group's great efforts in strategic transition and forming a new business model. Meanwhile, the Group established efficient coordination mechanisms between each segment, defined the powers and responsibilities of each business unit, strengthened budget management, improved the assessment mechanism and remuneration incentive measures, vigorously reduced unit costs and improved production efficiency. Both the profitability of each business unit and the performance of each segment was greatly improved.

II. Profit

1. Gross profit

For the six months ended 30 June 2017, gross profit of the Group was RMB905 million, up by RMB550 million or 154.93% compared to the corresponding period in 2016, which was mainly due to the increase in fertilizer price and sales volume.

The gross profit margin of the Group was 8.64%, up by 4.66 percentage points compared to the corresponding period in 2016. Thereinto, the gross profit margin of Basic Fertilizers increased to 7.05% for the first half in 2017 from 1.94% year on year through strengthening strategic partnership with core domestic and overseas suppliers, continuing to secure the supply of competitive products, seizing the opportunity of market recovery, enhancing brand influence and improving product competitiveness. The Distribution segment reinforced sales promotion, broadened customer channels, and continuously developed and invested in new products and high margin products in order to guarantee a stable gross profit contribution.

2. *Share of results of joint ventures and associates*

Share of results of joint ventures: For the six months ended 30 June 2017, share of results of joint ventures of the Group was a loss of RMB20 million, more than the loss of RMB2 million for the corresponding period in 2016. 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 2017, share of results of associates of the Group was a loss of RMB130 million, a big drop from a profit of RMB28 million for the corresponding period in 2016. This was mainly due to that Qinghai Salt Lake, one of the Group's associates, faced the depressed market environment of low product price and suffered losses after its chemical projects was put into operation.

3. *Income tax*

For the six months ended 30 June 2017, income tax for the Group was RMB4 million, down by RMB6 million from RMB10 million for the corresponding period in 2016. This was mainly due to that the Group's subsidiaries retained a relatively large amount of non deductible losses as a result of sluggish market during 2016, and taxable profits of various subsidiaries in the first half of 2017 decreased compared to the corresponding period in 2016.

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

4. *Profit attributable to owners of the Company and net profit margin*

For the six months ended 30 June 2017, profit attributable to owners of the Company was RMB13 million, a significant increase compared to the corresponding period in 2016. This was mainly attributable to that the Group seized the opportunities of a recovering market, took corresponding measures, increased the market share, promoted strategic transformation, adjusted organizational structure, improved the remuneration system, enhanced the enthusiasm of the business personnel, strengthened cost control, improved the integration of production and marketing and increased the profitability.

For the six months ended 30 June 2017, net profit margin of the Group, calculated by dividing profit attributable to owners of the Company by revenue, was 0.12%.

III. Expenditures

For the six months ended 30 June 2017, total expenses were RMB861 million, down by RMB14 million or 1.6% over that of RMB875 million in the corresponding period in 2016. The expenditure details are as below:

Selling and distribution expenses: For the six months ended 30 June 2017, selling and distribution expenses were RMB388 million, up by RMB26 million or 7.18% over that of RMB362 million for the corresponding period in 2016. Such an increase was mainly attributable to the fact that the Group took measures to improve distribution ability, vigorously carried out business publicity and promotion activities of strategic products, and readjusted remuneration scheme of the sales force, leading to the increase in selling and distribution expense compared to the corresponding period in 2016.

Administrative expenses: For the six months ended 30 June 2017, administrative expenses were RMB297 million, down by RMB35 million or 10.54% over that of RMB332 million for the corresponding period in 2016. This was mainly attributable to the fact that the Group carried out restructuring, streamlined functional departments and personnel, which resulted in the decrease in administrative expenses compared to the corresponding period in 2016.

Finance costs: For the six months ended 30 June 2017, finance costs were RMB176 million, which was relatively stable compared with that of RMB181 million for the corresponding period in 2016.

IV. Other Income and Gains

For the six months ended 30 June 2017, the Group's other income and gains amounted to RMB148 million, which mainly consisted of financial investment income, government subsidy, interest income due from an associate and foreign exchange gain. There were no significant fluctuations compared to the corresponding period in 2016.

V. Other Expenses and Losses

For the six months ended 30 June 2017, the Group's other expenses and losses amounted to RMB29 million, down by RMB85 million or 74.56% over that of RMB114 million for the corresponding period in 2016, which was mainly due to the decrease in the impairment loss compared to the corresponding period in 2016.

VI. Inventory

The inventory balance of the Group as at 30 June 2017 was RMB3,712 million, down by RMB763 million or 17.05% over that of RMB4,475 million as at 31 December 2016. The Group continued to strengthen the coordination between procurement and marketing, downsize the inventory scale and speed up inventory turnover. Therefore, the inventory turnover days*(note)* decreased from 132 days in 2016 to 77 days in the first half of 2017.

Note: Inventory turnover days for the six months ended 30 June 2017 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 2016 was calculated on the basis of average inventory balance as at the beginning and the end of the year ended 31 December 2016 divided by cost of goods sold in 2016, and multiplied by 360 days.

VII. Trade and Bills Receivables

The balance of the Group's trade and bills receivables as at 30 June 2017 was RMB555 million, up by RMB402 million or 262.75% over that of RMB153 million as at 31 December 2016. Influenced by the change of external business environment, in order to increase the sales amount, the Group changed the operation strategy, fully enhanced the core capacity of distribution, improved the management of dealers and the capability to provide service for end-users and increased the credit scale of customers with good reputation, which led to an increase in the balance of trade and bills receivables as at 30 June 2017 over that as at 31 December 2016. Trade and bills receivables turnover days*(note)* of the Group was 6 days, the same as at 31 December 2016.

Note: Turnover days for the first half of 2017 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.

Turnover days for 2016 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 2016 divided by revenue in 2016, and multiplied by 360 days.

VIII. Interests in Joint Ventures

The balance of the Group's interests in joint ventures as at 30 June 2017 was RMB354 million, down by RMB20 million or 5.35% over that of RMB374 million as at 31 December 2016, which was mainly due to that the share of results of joint ventures from Three Circles-Sinochem suffered a loss due to the oversupply in phosphate fertilizer market.

IX. Interests in Associates

The balance of the Group's interests in associates as at 30 June 2017 was RMB8,569 million, down by RMB138 million or 1.58% over that of RMB8,707 million as at 31 December 2016. Among them, the share of results of Yangmei Pingyuan Chemical Co., Ltd. was RMB6 million and the share of results of Qinghai Salt Lake was a loss of RMB137 million.

The Group re-assessed the recoverable amount of the interest in Qinghai Salt Lake. The recoverable amount was estimated 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. The key assumption for the value-in-use calculations are those regarding the discount rate, growth rate and expected changes to revenue and direct costs used in the cash flow forecasts. Since the value-in-use of Qinghai Salt Lake is higher than its carrying amount, no impairment loss in respect of the interest in Qinghai Salt Lake is recognized as at 30 June 2017.

X. Available-for-sale Investments

The balance of the Group's available-for-sale investments as at 30 June 2017 was RMB478 million, down by RMB20 million or 4.02% over that of RMB498 million as at 31 December 2016. As at 30 June 2017, 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 Liabilities

As at 30 June 2017, the balance of the Group's interest-bearing liabilities was RMB7,509 million, up by RMB1,476 million or 24.47% over that of RMB6,033 million as at 31 December 2016, 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 2017, the balance of the Group's trade and bills payables was RMB3,763 million, down by RMB812 million or 17.75% over that of RMB4,575 million as at 31 December 2016, 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 earnings per share (EPS) for the six months ended 30 June 2017 was RMB0.0018 and return on equity (ROE) for the six months ended 30 June 2017 was 0.16%, which was mainly attributable to the substantial improvement in the Group's performance for the first half of 2017.

Table 3:

	For the six months ended 30 June	
	2017	2016
Profitability		
Earnings/(Losses) per share (RMB) *(Note a)*	**0.0018**	(0.0615)
ROE *(Note b)*	**0.16%**	(3.44%)

Notes:

a. Calculated on the basis of profit/(loss) 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 profit/(loss) attributable to the owners of the Company for the reporting period divided by total equity attributable to owners of the Company as at the end of the reporting period.

As at 30 June 2017, the Group's current ratio was 0.70, and the debt-to-equity ratio was 91.40%, representing a stable financial structure.

Table 4:

	As at 30 June 2017	As at 31 December 2016
Solvency		
Current ratio *(Note a)*	**0.70**	0.73
Debt-to-Equity ratio *(Note b)*	**91.40%**	72.96%

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.

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 2017, cash and cash equivalents of the Group amounted to RMB491 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 2017 RMB'000	As at 31 December 2016 RMB'000
Bank loans, secured	**5,000**	–
Bank loans, unsecured	**1,654,195**	–
Short-term commercial paper	**–**	2,000,000
Borrowings from Sinochem Finance Co., Ltd.	**2,355,000**	540,000
Bonds		
Principal amount	**3,500,000**	3,500,000
Less: unamortized transaction costs	**(5,640)**	(6,815)
Total	**7,508,555**	6,033,185

Table 6:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Within 1 year	**4,014,195**	2,540,000
Over 1 year but within 5 years	**3,494,360**	3,493,185
Total	**7,508,555**	6,033,185

Table 7:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Fixed interest rate	**7,508,555**	6,033,185
Floating interest rate	**–**	–
Total	**7,508,555**	6,033,185

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

As at 30 June 2017, the Group had banking facilities of RMB27,035 million, including USD1,505 million and RMB16,840 million. The utilized banking facilities consisted of USD38 million and RMB3,979 million, while the unutilized banking facilities consisted of USD1,467 million and RMB12,861 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 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 2017. 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 2017, the Group had no material contingent liabilities.

XVII. Capital Commitment

Table 8:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Contracted but not provided for		
– Property, plant and equipment	**139,543**	75,917
Authorized but not contracted for		
– Property, plant and equipment	**609,026**	331,399
– Acquisition of interests in other entities	**500,000**	500,000
Total	**1,248,569**	907,316

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 acquisitions.

XVIII. Major Investments

For the six months ended 30 June 2017, the Group had no material investments.

XIX. Remuneration Policy

The key components of the Group's remuneration package include basic salary, and where applicable, other allowances, annual incentive bonus, mandatory provident funds, and state-managed retirement benefits scheme. The objective of the Group is to associate the interests of key employees with the performance of the Group and the interests of shareholders, as well as to achieve 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 compensation. The level of cash compensation to employees offered by the Group varies with the 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-calibre employees required for the development of the Group and to avoid offering excess reward.

The emoluments payable to Directors are determined with reference to the responsibilities, qualifications, experience and performance of the Directors. They include incentive bonus primarily determined based on the results of the Group. The Remuneration Committee performs regular review on the emoluments of the Directors. No Director, or any of his/her associates, and executives is involved in deciding his/her own emoluments.

The Group reviews its remuneration policy annually and engages professional consultant, if necessary, to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 30 June 2017, the Group had about 6,266 full-time employees (including those employed by the Group's 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 career development of employees. In the first half of 2017, the Group provided around 500 person-times or around 4,500 hours of training (any training organized by the subsidiaries have not been included in these numbers). The training courses covered areas such as industrial development, leadership enhancement, marketing management, operation and management, laws and regulations, lean management, project management, finance, logistics, human resource management, information technology, safe production and general working skills. These training will further improve the management skills and professional standards of the management of the Group and enhance the overall quality of the employees to cater to the Group's rapid developments, and improve the competitiveness of the Group.

Other than those mentioned above, the Company had also arranged directors & officers' liability insurance which provides comprehensive protection for the Group's business by covering losses in relation to investigations or claims against the Company's Directors and the Group's officers.

Chronicle of Events

January 2017

◇ Sinochem Fuling Chemical Co., Ltd., a subsidiary of the Group, was awarded "Outstanding Supplier in the Asia-Pacific Region in 2016" by Johnson Controls of the USA.

◇ Mr. Qin Hengde, CEO of the Company, met with Mr. Matt J. Albrecht, senior vice president of Canpotex Limited, for business discussions and exchanges of ideas on economic aspects in international and Chinese markets, trends in global agriculture and fertilizer industry, as well as on future opportunities and challenges for the Company.

◇ Sinochem Fertilizer Company Limited ("Sinochem Fertilizer"), a subsidiary of the Group, signed an agreement on strategic cooperation with Henan XLX Fertilizer Co., Ltd.

February 2017

◇ Sinochem Fertilizer was awarded the Prize for Outstanding Contributions at the 4th China Potato Farm Owners Conference.

March 2017

◇ At the proposal of the Ministry of Agriculture, Sinochem Fertilizer became the founding council member of the National Tech Innovation Alliance for Reducing Fertilizer Use by Enhancing Fertilizer Efficiency.

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

April 2017

◇ Sinochem Fertilizer signed an agreement on strategic cooperation with China Bluechem Co., Ltd..

◇ Mr. Qin Hengde, CEO of the Company, was interviewed by "Economic 30 Minutes" program of China Central Television, on the topic of tackling oversupply in the fertilizer industry.

May 2017

◇ The Group was honored to be one of China's Top 50 brand names in 2017, and the No. 1 brand name in the agricultural input industry, by Xin Hua Net.

◇ Sinochem Fertilizer promoted the technique for "deep soil side dressing in paddy field" in Jiansanjiang of Heilongjiang Province, as part of the Group's efforts in "Sinochem Dedicating to Rural Prosperity". This technique enables fertilizer application at the same time of planting, and also helps to reduce fertilizer use by improving efficiency, as well as enhance rice quality and output.

June 2017

◇ The Group was awarded No. 1 in China's Top 10 Best Quality Fertilizers.

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 27 to 57 which comprises the consolidated statement of financial position of Sinofert Holdings Limited as of 30 June 2017 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 2017 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

24 August 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2017	2016
		RMB'000	RMB'000
Revenue	3	**10,469,328**	8,908,822
Cost of sales		**(9,564,812)**	(8,553,923)
Gross profit		**904,516**	354,899
Other income and gains		**147,725**	123,081
Selling and distribution expenses		**(388,368)**	(361,701)
Administrative expenses		**(296,538)**	(331,754)
Other expenses and losses		**(29,167)**	(114,182)
Share of results of associates		**(130,109)**	27,575
Share of results of joint ventures		**(19,628)**	(2,250)
Finance costs	*4(a)*	**(175,960)**	(180,755)
Profit/(Loss) before taxation	4	**12,471**	(485,087)
Income tax	5	**(4,071)**	(10,173)
Profit/(Loss) for the period		**8,400**	(495,260)
Profit/(Loss) for the period attributable to:			
– Owners of the Company		**12,990**	(432,134)
– Non-controlling interests		**(4,590)**	(63,126)
		8,400	(495,260)

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the six months ended 30 June 2017 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2017	2016
		RMB'000	RMB'000
Profit/(Loss) for the period		**8,400**	(495,260)
Other comprehensive (expenses)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**(43,254)**	43,497
Changes in fair value of available-for-sale investments		**(20,602)**	(23,223)
Other comprehensive (expenses)/income for the period		**(63,856)**	20,274
Total comprehensive expenses for the period		**(55,456)**	(474,986)
Total comprehensive expenses attributable to:			
– Owners of the Company		**(50,866)**	(411,860)
– Non-controlling interests		**(4,590)**	(63,126)
		(55,456)	(474,986)
Earnings/(Losses) per share	6		
Basic (RMB)		**0.0018**	(0.0615)
Diluted (RMB)		**0.0018**	(0.0615)

The notes on pages 33 to 57 form part of this interim financial report. Details of dividends payable to owners of the Company are set out in note 14.

Consolidated Statement of Financial Position

At 30 June 2017 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-current assets			
Property, plant and equipment	*7*	**3,379,800**	3,427,768
Lease prepayments		**494,219**	500,736
Mining rights		**595,250**	611,367
Goodwill	*8*	**840,483**	849,966
Other long-term assets		**11,065**	12,051
Interests in associates	*9*	**8,568,688**	8,707,156
Interests in joint ventures		**354,376**	374,004
Available-for-sale investments		**477,835**	498,437
Advance payments for acquisition of property, plant and equipment		**31,255**	19,787
Deferred tax assets		**29,411**	32,960
		14,782,382	15,034,232
Current assets			
Inventories		**3,712,010**	4,475,018
Trade and bills receivables	*10*	**554,561**	152,982
Other receivables and advance payments		**1,019,345**	1,546,933
Loans to an associate		**670,000**	670,000
Lease prepayments		**13,810**	13,810
Bank balances and cash		**490,922**	972,118
		6,460,648	7,830,861

Consolidated Statement of Financial Position (continued)

At 30 June 2017 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Current liabilities			
Trade and bills payables	*11*	**3,763,173**	4,574,711
Other payables and receipt in advance	*12*	**1,386,820**	3,603,543
Interest-bearing borrowings – due within one year	*13*	**4,014,195**	540,000
Short-term commercial paper		**–**	2,000,000
Tax liabilities		**14,617**	11,052
		9,178,805	10,729,306
Net current liabilities		**(2,718,157)**	(2,898,445)
Total assets less current liabilities		**12,064,225**	12,135,787
Non-current liabilities			
Interest-bearing borrowings – due after one year	*13*	**3,494,360**	3,493,185
Deferred income		**94,340**	105,253
Deferred tax liabilities		**214,280**	220,648
Other long-term liabilities		**47,128**	47,128
		3,850,108	3,866,214
NET ASSETS		**8,214,117**	8,269,573
CAPITAL AND RESERVES			
Issued equity		**8,267,384**	8,267,384
Reserves		**89,261**	140,127
Total equity attributable to owners of the Company		**8,356,645**	8,407,511
Non-controlling interests		**(142,528)**	(137,938)
TOTAL EQUITY		**8,214,117**	8,269,573

The notes on pages 33 to 57 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017 – 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 RMB'000
Balance at 1 January 2017	8,267,384	20,768	366,484	28,804	57,116	(521,083)	188,038	8,407,511	(137,938)	8,269,573
Profit/(loss) for the period	–	–	–	–	–	–	12,990	12,990	(4,590)	8,400
Other comprehensive expenses for the period	–	–	–	(20,602)	–	(43,254)	–	(63,856)	–	(63,856)
Total comprehensive (expenses)/ income for the period	–	–	–	(20,602)	–	(43,254)	12,990	(50,866)	(4,590)	(55,456)
Maintenance and production fund *(Note c)*	–	–	–	–	3,151	–	(3,151)	–	–	–
Balance at 30 June 2017	8,267,384	20,768	366,484	8,202	60,267	(564,337)	197,877	8,356,645	(142,528)	8,214,117
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 33 to 57 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Operating activities		
Cash used in operations	**(1,527,980)**	(410,685)
Income tax paid	**(3,325)**	(2,831)
Net cash used in operating activities	**(1,531,305)**	(413,516)
Investing activities		
Purchase of property, plant and equipment	**(124,133)**	(147,814)
Proceeds from disposals of property, plant and equipment	**2,187**	4,645
Acquisition of other long-term assets	**(2,209)**	(1,278)
Final installment of consideration paid for acquisition of Sinochem Yunlong Co.,Ltd. ("Sinochem Yunlong")	**(211,437)**	–
Proceeds from withdrawal of other deposits	**–**	1,200
Interest received	**20,778**	23,280
Loans to an associate	**(574,000)**	(287,000)
Repayment of loans to an associate	**574,000**	287,000
Dividends received from an associate	**7,621**	–
Dividends received from a joint venture	**–**	3,000
Placement of pledged bank deposits	**–**	(490)
Net cash used in investing activities	**(307,193)**	(117,457)
Financing activities		
Repayment of borrowings	**(6,508,623)**	(7,719,430)
Proceeds from new borrowings	**9,982,818**	7,925,445
Repayment of short-term commercial papers	**(2,000,000)**	–
Interest paid	**(112,238)**	(67,754)
Dividends paid	**–**	(57,658)
Net cash generated from financing activities	**1,361,957**	80,603
Net decrease in cash and cash equivalents	**(476,541)**	(450,370)
Cash and cash equivalents as at 1 January	**972,118**	639,851
Effect of foreign exchange rates changes	**(4,655)**	2,076
Cash and cash equivalents at 30 June	**490,922**	191,557

The notes on pages 33 to 57 form part of this interim financial report.

1 Basis of preparation

This interim financial report of Sinofert Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 24 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 2016 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 ("HKFRSs").

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

The financial information relating to the financial year ended 31 December 2016 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 2016 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2017.

(Expressed in Renminbi unless otherwise indicated)

1 Basis of preparation (continued)

As at 30 June 2017, the Group's current liabilities exceeded its current assets by approximately RMB2.72 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 RMB22.80 billion as at 30 June 2017, 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 2017. 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the period ended 30 June 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

2 Changes in accounting policies (continued)

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018. Expected impacts of the new requirements on the Group's financial statements are as follows:

(i) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

– The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognized in profit or loss.

– For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognized in profit or loss. Gains, losses and impairments on that security will be recognized in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of HKFRS 9. The Group currently does not have any financial assets designated at FVTPL.

2 Changes in accounting policies (continued)

HKFRS 9, Financial instruments (continued)

(i) Classification and measurement (continued)

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as FVTOCI or classify them as FVTPL. Either classification would give rise to a change in accounting policy as the current accounting policy for available-for-sale equity investments is to recognize fair value changes in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss. This change in policy will have no impact on the Group's net assets and total comprehensive income but will impact on reported performance amounts such as profit and earnings per share.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognized in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial assets designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

(ii) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognized. Instead, an entity is required to recognize and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

2 Changes in accounting policies (continued)

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognizing revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

(i) Timing of revenue recognition

Currently, revenue from the sale of goods is generally recognized when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognized when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

– When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

– When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

– When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognizes revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group is in the process of making an assessment of what the impact of the change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach. So far it has concluded that the adoption of HKFRS 15 is unlikely to have a significant impact on the consolidated financial statements. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

2 Changes in accounting policies (continued)

HKFRS 16, Leases

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group mainly enters into certain leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognize and measure a lease liability at the present value of the minimum future lease payments and will recognize a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognize interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognizing rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognized on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for retail outlets, offices and warehouse which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. At 30 June 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB41,292,000, among which only RMB11,037,000 is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognized as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has decided not to early adopt HKFRS 16 in its 2018 consolidated financial statements.

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. During the reporting period, the Group has changed the structure of its internal organisation in a manner that causes the composition of its reportable segments to change as follows:

- Basic Fertilizers: sourcing and trading of straight fertilizers such as nitrogen, phosphate and potash
- Distribution: building of distribution channels, sourcing and selling of compound fertilizers and new type of fertilizer
- Production: production and sales of fertilizers and Monocalcium/Dicalcium Phosphate

Certain comparative amounts in the segment information have been reclassified and restated to conform the current period's presentation.

For the purposes of monitoring segment performances and allocating resources between segments:

- All assets are allocated to operating segments other than interests in associates, interests in joint ventures, available-for-sale investments, deferred tax assets and other unallocated assets; and
- All liabilities are allocated to operating segments other than deferred tax liabilities, interest-bearing borrowings and other unallocated liabilities.

3 Segment reporting (continued)

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 2017				
	Basic Fertilizers RMB'000	Distribution RMB'000	Production RMB'000	Elimination RMB'000	Total RMB'000
Revenue					
External revenue	6,674,346	2,734,773	1,060,209	–	10,469,328
Internal revenue	211,241	831	821,863	(1,033,935)	–
Segment revenue	6,885,587	2,735,604	1,882,072	(1,033,935)	10,469,328
Segment gross profit	470,753	233,499	200,264	–	904,516
Segment profit/(loss)	321,691	50,763	(5,258)	–	367,196
Share of results of associates	462	–	(130,571)	–	(130,109)
Share of results of joint ventures	–	–	(19,628)	–	(19,628)
Unallocated expenses					(78,018)
Unallocated income					48,990
Finance costs					(175,960)
Profit before taxation					12,471
As at 30 June 2017					
Segment assets	3,523,875	1,459,905	5,631,246	–	10,615,026
Segment liabilities	2,306,950	1,786,641	987,492	–	5,081,083

3 Segment reporting (continued)

	For the six months ended 30 June 2016				
	Basic Fertilizers RMB'000	Distribution RMB'000	Production RMB'000	Elimination RMB'000	Total RMB'000
Revenue					
External revenue	5,923,041	2,131,664	854,117	–	8,908,822
Internal revenue	216,409	555	930,418	(1,147,382)	–
Segment revenue	6,139,450	2,132,219	1,784,535	(1,147,382)	8,908,822
Segment gross profit	114,984	184,917	54,998	–	354,899
Segment (loss)/profit	(100,389)	21,163	(201,888)	–	(281,114)
Share of results of associates	430	–	27,145	–	27,575
Share of results of joint ventures	(2)	–	(2,248)	–	(2,250)
Unallocated expenses					(93,523)
Unallocated income					44,980
Finance costs					(180,755)
Loss before taxation					(485,087)
As at 31 December 2016					
Segment assets	4,703,848	1,478,491	5,759,271	–	11,941,610
Segment liabilities	5,065,643	1,703,387	1,147,406	–	7,916,436

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

4 Profit/(Loss) before taxation

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

(a) Finance costs

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Interest on borrowings		
– wholly repayable within five years	**176,796**	182,784
Less: interest expense capitalized *(note)*	**(836)**	(2,029)
	175,960	180,755

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 2016: 5%).

(b) Other items

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Depreciation and impairment losses of property, plant and equipment	**160,669**	186,266
Release of lease prepayments	**6,517**	6,589
Amortization of mining rights	**16,117**	16,101
Amortization of other long-term assets	**3,195**	2,991
Deferred income released	**(10,913)**	(4,164)
Impairment loss on interests in an associate	**–**	60,000
Inventory write-down and losses net of reversals	**(55,179)**	26,605
Write-off of consideration payable	**18,563**	–
Loss on disposal of property, plant and equipment	**448**	1,077

5 Income tax

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Current tax – Hong Kong Profits Tax	**–**	–
Current tax – PRC Enterprise Income Tax	**6,890**	3,069
Deferred taxation	**(2,819)**	7,104
	4,071	10,173

(i) The provision for Hong Kong Profits Tax is calculated by applying at 16.5% (2016: 16.5%) of the estimated assessable profits for the six months ended 30 June 2017.

(ii) The provision for the PRC Enterprise Income Tax is based on the statutory rate of 25% (2016: 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 2017, except for certain subsidiaries of the Group which enjoy a preferential tax rate according to related tax policies.

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

6 Earnings/(Losses) per share

The calculation of basic earnings/(losses) per share is as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Profit/(Loss) attributable to owners of the Company		
Profit/(Loss) for the purpose of basic earnings/(losses) per share	**12,990**	(432,134)
Number of shares	**'000 shares**	'000 shares
Weighted average number of ordinary shares for the purpose of basic earnings/(losses) per share	**7,024,456**	7,024,456

The Group has no dilutive ordinary shares outstanding for the period ended 30 June 2017. Therefore, there was no difference between basic and diluted earnings per share.

7 Property, plant and equipment

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment with a cost of RMB124,133,000 (the corresponding period in 2016: RMB 147,814,000). Items of property, plant and equipment with a net book value of RMB2,635,000 were disposed (the corresponding period in 2016: RMB5,722,000), resulting in a loss on disposal of RMB448,000 (the corresponding period in 2016: RMB1,077,000).

8 Goodwill

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Cost		
At 1 January	**849,966**	829,752
Exchange adjustments	**(9,483)**	20,214
Carrying Amount		
At 30 June/31 December	**840,483**	849,966

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 2017 RMB'000	At 31 December 2016 RMB'000
Basic Fertilizers and Distribution	**275,374**	283,814
Production		
– Sinochem Yunlong	**531,074**	531,074
– Others	**34,035**	35,078
	840,483	849,966

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 2017 approved by the directors of the Company. The growth rates for the first 3 years from 2018 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 2017 (for the corresponding period in 2016: nil).

9 Interests in associates

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
At the end of reporting period, cost of investment in associates:		
– Listed in the PRC	**4,886,066**	4,886,066
– Unlisted	**391,429**	391,429
Goodwill	**5,122,018**	5,122,018
Share of the associates' net assets changes, net of dividends	**999,175**	1,137,643
Less: impairment loss	**(2,830,000)**	(2,830,000)
	8,568,688	8,707,156
Fair value of listed investments	**5,972,995**	7,266,668

All of the associates are accounted for using the equity method in the consolidated financial statements.

9 Interests in associates (continued)

The recoverable amount of the interest in Qinghai Salt Lake Industry Co., Ltd. ("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.

10 Trade and bills receivables

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Trade receivables	**410,629**	60,581
Less: allowance for doubtful debts	**(7,937)**	(7,937)
	402,692	52,644
Bills receivables	**151,869**	100,338
Trade and bills receivables	**554,561**	152,982

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 2017 RMB'000	At 31 December 2016 RMB'000
Within 3 months	**535,297**	137,119
Over 3 months but within 6 months	**14,263**	10,974
Over 6 months but within 12 months	**189**	736
Over 12 months	**4,812**	4,153
	554,561	152,982

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 RMB12,417,000 (as at 31 December 2016: RMB4,917,000) 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 2017 RMB'000	At 31 December 2016 RMB'000
Trade payables	2,084,356	3,406,708
Bills payables	1,678,817	1,168,003
Trade and bills payables	3,763,173	4,574,711

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 2017 RMB'000	At 31 December 2016 RMB'000
Within 3 months	2,302,137	3,635,023
Over 3 months but within 6 months	1,087,122	658,107
Over 6 months but within 12 months	170,494	86,081
Over 12 months	203,420	195,500
	3,763,173	4,574,711

12 Other payables and receipt in advance

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Payroll payable	13,269	21,784
Consideration payable for acquisition of Sinochem Yunlong	–	230,000
Others	470,679	476,374
Other payables	483,948	728,158
Receipt in advance	902,872	2,875,385
Other payables and receipt in advance	1,386,820	3,603,543

13 Interest-bearing borrowings

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Bank loans, secured	**5,000**	–
Bank loans, unsecured	**1,654,195**	–
Borrowings from Sinochem Finance Co., Ltd. ("Sinochem Finance")	**2,355,000**	540,000
Bonds *(note)*		
Principle amount	**3,500,000**	3,500,000
Less: unamortized transaction costs	**(5,640)**	(6,815)
	7,508,555	4,033,185

Note: On 25 November 2009, a PRC subsidiary of the Group issued corporate bonds with an aggregate principal amount of RMB 2.5 billion with a maturity of 10 years at a fixed interest rate of 5% per annum. The transaction costs of RMB 23,265,000 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.

On 22 July 2016, a PRC subsidiary of the Group issued the first tranche of the medium-term notes with an aggregate principal amount of RMB1 billion, with a maturity of three years at a rate of 3.5% per annum.

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Carrying amount repayable:		
Within 1 year	**4,014,195**	540,000
Over 1 year but within 5 years	**3,494,360**	3,493,185
	7,508,555	4,033,185
Less: amounts due within 1 year shown under current liabilities	**(4,014,195)**	(540,000)
Amounts shown under non-current liabilities	**3,494,360**	3,493,185

13 Interest-bearing borrowings (continued)

(b) *Unutilized banking facilities*

As at 30 June 2017, the Group's available unutilized banking facilities were approximately RMB22,801,052,000 (as at 31 December 2016: approximately RMB20,917,160,000).

At June 30 2017, certain property, plant and equipment with carrying values of approximately RMB4,049,000 (as at 31 December 2016: approximately RMB4,374,000) were pledged to secure banking facilities.

14 Dividends

The Board of Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2017 (the corresponding period in 2016: nil).

As the Group did not declare the final dividend for the year ended 31 December 2016, no final dividend was paid during the six months ended 30 June 2017 (the corresponding period in 2016: approximately RMB57,658,000 at HK$0.0097 (approximately RMB0.0082) per share has been paid).

15 Fair value measurement of financial instruments

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

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, 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

15 Fair value measurement of financial instruments (continued)

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

	Fair value at 30 June 2017 RMB'000	Fair value measurements as at 30 June 2017 categorized into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Available-for-sale investments				
– Listed	**89,648**	**89,648**	**–**	**–**

	Fair value at 31 December 2016 RMB'000	Fair value measurements as at 31 December 2016 categorized into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Available-for-sale investments				
– Listed	110,250	110,250	–	–

During the six months ended 30 June 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2016: nil). The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(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 2017 and 31 December 2016 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	At 30 June 2017		At 31 December 2016	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Financial liabilities	**3,494,360**	**3,538,982**	3,493,185	3,539,678

16. Commitments

(a) Capital commitments

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Contracted but not provided for		
– Property, plant and equipment	**139,543**	75,917
Authorized but not contracted for		
– Property, plant and equipment	**609,026**	331,399
– Acquisition of interests in other entities	**500,000**	500,000
	1,248,569	907,316

(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 2017 RMB'000	At 31 December 2016 RMB'000
Within 1 year	**30,255**	40,398
Over 1 year but within 5 years	**9,733**	6,545
Over 5 years	**1,304**	1,739
	41,292	48,682

17 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	
	2017	2016
	RMB'000	RMB'000
Sales of fertilizers to		
Ultimate holding company	**11,100**	21,779
Joint ventures	**107,007**	84,065
Associates	**–**	9,986
	118,107	115,830
Purchases of fertilizers from		
Ultimate holding company	**89,302**	107,552
Joint ventures	**452,393**	502,916
Associates	**946,550**	763,357
	1,488,245	1,373,825
Import service fee paid to		
A fellow subsidiary	**9,314**	8,669
Ultimate holding company	**1,409**	784
	10,723	9,453
Office rental fee paid to		
Immediate holding company	**1,849**	2,710
Fellow subsidiaries	**10,203**	10,930
	12,052	13,640

17 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	
	2017	2016
	RMB'000	RMB'000
Loans to an associate	**574,000**	287,000
Repayment of loans to an associate	**574,000**	287,000
Interest income due from an associate	**18,430**	18,278
Loans from related parties		
A fellow subsidiary	**7,460,000**	4,926,000
Ultimate holding company	**–**	1,299,445
	7,460,000	6,225,445
Repayment of loans from related parties		
A fellow subsidiary	**5,645,000**	4,296,000
Immediate holding company	**–**	850,000
Ultimate holding company	**–**	200,000
	5,645,000	5,346,000
Interest expenses for loans from related parties		
A fellow subsidiary	**34,582**	14,761
Immediate holding company	**–**	14,946
Ultimate holding company	**–**	988
	34,582	30,695

17 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 2017 RMB'000	At 31 December 2016 RMB'000
Trade receivables		
Sinochem Group	–	14,324
Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. ("Three Circles-Sinochem")	18,904	–
	18,904	14,324
Other receivables		
Beijing Chemsunny Property Co., Ltd.	9,513	10,240
Sinochem Hong Kong (Group) Company Limited ("Sinochem HK")	626	1,535
Yangmei Pingyuan Chemical Co., Ltd. ("Yangmei Pingyuan")	3,046	2,139
	13,185	13,914
Advance payments		
Qinghai Salt Lake	–	209,852
Three Circles-Sinochem	40,256	48,461
Yangmei Pingyuan	31,910	30,311
Gansu Wengfu Chemical Co., Ltd.	4,399	26,856
	76,565	315,480
Loans to an associate		
Yangmei Pingyuan	670,000	670,000

17 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 2017 RMB'000	At 31 December 2016 RMB'000
Trade payables		
Sinochem Group	**161,170**	–
Yangmei Pingyuan	**73**	73
Guizhou Xinxin Chemical Group Co., Ltd.	**4,966**	4,966
Qinghai Salt Lake	**159,088**	–
	325,297	5,039
Other payables		
Yangmei Pingyuan	**47,675**	47,675
Sinochem UK	**4,711**	–
	52,386	47,675
Borrowings from related parties *(note)*		
Sinochem Finance	**2,355,000**	540,000
Interest payable to related parties		
Sinochem Finance	**9,224**	1,110
Sinochem HK	**27,727**	27,727
	36,951	28,837

Note: Borrowings from Sinochem Finance are borrowed with a maturity period within 1 year at fixed interest rates ranging from 2.1% to 4.785% per annum.

17 Related party transactions (continued)

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

The Group operates in an economic environment currently predominated by entities 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	
	2017	2016
	RMB'000	RMB'000
Sales of fertilizers	**1,209,726**	626,475
Purchases of fertilizers	**1,877,551**	2,055,584

(d) Compensation of key management personnel

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Salaries and other benefits	**4,079**	4,126
Retirement benefit scheme contributions	**200**	206
Fees	**654**	628
	4,933	4,960

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 2017.

Directors' Interests in Shares and Underlying Shares of the Company

As at 30 June 2017, 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:

1. *Ordinary shares of HK$0.1 each of the Company*

As at 30 June 2017, 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

2. *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 then existing share option scheme ("Share Option Scheme") for a period of 10 years. 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. On 27 June 2017, the Share Option Scheme reached the end of its term and became expired.

During the six months ended 30 June 2017, no share options were granted, exercised, cancelled or lapsed under the Share Option Scheme of the Company.

Save as disclosed above, as at 30 June 2017, 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 2017, was the Company or any of its subsidiaries or holding companies or the subsidiaries of the holding companies a party to any arrangement the object of which is to enable the directors or chief executives of the Company or any of their spouses or children under the eighteen years of age 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 2017, 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 1)*	3,698,660,874	52.65%
Sinochem Corporation *(Note 1)*	3,698,660,874	52.65%
Sinochem Hong Kong (Group) Company Limited (“Sinochem HK”) *(Note 2)*	3,698,660,874	52.65%
Potash Corporation of Saskatchewan Inc. (“PotashCorp”) *(Note 3)*	1,563,312,141	22.26%

Notes:

1. 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.

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

3. 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 2017, which were required to be recorded in the register maintained by the Company under section 336 of the SFO.

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 2017.

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 2017.

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 2017 and up to the date of this report, except for the deviations from the code provisions A.1.7 and E.1.2 as described below.

The code provision A.1.7 stipulates that, if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting. During the period and up to the date of this report, the Board approved a continuing connected transaction by circulation of written resolution in lieu of physical board meeting, for which certain directors who are nominated by the ultimate controlling shareholders of the Company, were regarded as having material interests therein. As the directors of the Company are living and working in different countries which are far apart, adoption of written resolution in lieu of physical board meeting allowed the Board to make a decision relatively quicker in response to the rapid change in the fertilizer markets. Before formal execution of the written resolution, the directors had discussed the matters via emails and made amendments to the transaction as appropriate.

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 12 May 2017 (the "2017 AGM"), Mr. Zhang Wei, Chairman of the Board, did not chair the meeting due to other essential business engagements. In order to ensure smooth holding of the 2017 AGM, the Chairman of the Board authorized and the directors attended the meeting elected Mr. Harry Yang, the executive director of the Company, to chair the meeting on behalf of the Chairman of the Board. Respective chairmen and/or members of the audit, remuneration, nomination and corporate governance committees of the Company were present at the 2017 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 2016 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 2017, 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/updates of information of director(s) are as follows:

1. As resolved by the Remuneration Committee of the Company on 30 March 2017, Mr. Qin Hengde, Executive Director and Chief Executive Officer of the Company, and Mr. Harry Yang, Executive Director of the Company, were entitled to a fixed fee of RMB1,646,000 and RMB1,173,744 per annum respectively, which were determined with reference to their respective experience and responsibilities, and the prevailing market standards. Both Mr. Qin and Mr. Yang are also entitled to receive year-end bonus which will be determined by reference to the operating results of the Group and their respective individual performance in 2017.

2. Mr. Ko Ming Tung, Edward, Independent Non-executive Director of the Company, retired as an independent non-executive director of Chinese Energy Holdings Limited on 14 August 2017.

Board of Directors

As at the date of this report, the executive directors of the Company are Mr. Qin Hengde (Chief Executive Officer) and Mr. Harry Yang; the non-executive directors of the Company are Mr. Zhang Wei (Chairman), Mr. Yang Lin, Dr. Stephen Francis Dowdle and Ms. Xiang Dandan; and the independent non-executive directors of the Company are Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius.

For and on behalf of the Board

Zhang Wei
Chairman of the Board

Hong Kong, 24 August 2017