SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

- The Group's turnover was RMB15,881 million for the current period, down by 22.83% year on year
- Profit attributable to shareholders for the current period was RMB138 million, down by 60.80% year on year
- Basic earnings per share for the current period was RMB0.0196, down by RMB0.0305 year on year
- The Board did not recommend the declaration of interim dividend for the six months ended 30 June 2014

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I hereby present to all the shareholders the interim results of Sinofert Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2014.

* *For identification purposes only*

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

In the second half of 2014, the global economic recovery is slow but the scope is widened; with the release of the benefits from both the reform and restructuring, the endogenous driving force of the Chinese economy and the vitality of the market players will be further enhanced and the promotion of industrialization, information technology, urbanization and agricultural modernization will release more demand. Against this background, the Chinese government is attaching more and more importance to agricultural modernization and is making more efforts in terms of agricultural and food production, the building of modern agriculture and innovation of agricultural production and operation mechanism, which will bring new opportunities for the Group to bring forth new ideas for operation and deepen transformation.

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

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

Liu De Shu
Chairman of the Board
Hong Kong, 21 August, 2014

MANAGEMENT REVIEW AND PROSPECT

Business Environment

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

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

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

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

Financial Highlights

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

Resource Guarantee

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

Production and Manufacturing

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

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

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

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

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

Marketing Business

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

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

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

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

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

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

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

Internal Control and Management

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

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

Corporate Social Responsibility

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

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

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

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

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

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

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

Outlook

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

I. Operation Scale

1. Sales volume

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

2. Turnover

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

The breakdown of turnover by products of the Group for the six months ended 30 June 2014 is as follows:

Table 1:

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

3. ***Segment revenue and segment results***

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

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

Table 2:

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

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

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

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

II. Profit

1. Gross profit

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

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

2. Share of results of joint ventures and associates

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

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

3. Income tax expenses

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

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

4. Profit attributable to shareholders and net profit margin

For the six months ended 30 June 2014, profit attributable to shareholders of the Company was RMB138 million, down by RMB214 million compared to the corresponding period in 2013.

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

III. Expenditures

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

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

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

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

IV. Other Income and Gains

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

V. Other Expenses and Losses

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

VI. Inventory Turnover

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

Note: Inventory turnover days for the six months ended 30 June 2014 was calculated on the basis of average inventory balance as at the beginning and the end of the reporting period divided by cost of goods sold for the reporting period, and multiplied by 180 days.

Inventory turnover days for 2013 was calculated on the basis of average inventory balance as at the beginning and the end of the year ended 31 December 2013 divided by cost of goods sold in 2013, and multiplied by 360 days.

VII. Trade and Bills Receivables Turnover

The balance of the Group's trade and bills receivables as at 30 June 2014 was RMB1,104 million, down by RMB146 million or 11.68% over that of RMB1,250 million as at 31 December 2013, which was mainly due to that the Group strictly controlled the credit scale for the sake of risk prevention in the sluggish market environment, thus leading to the decrease in the balance of trade and bills receivables as at 30 June 2014 over that as at 31 December 2013.

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

Note: Turnover days for the first half of 2014 was calculated on the basis of the average trade and bills receivables balance excluding bills discounted to banks as at the beginning and the end of the reporting period divided by turnover for the reporting period, and multiplied by 180 days.

Turnover days for 2013 was calculated on the basis of average trade and bills receivables balance excluding bills discounted to banks as at the beginning and the end of the year ended 31 December 2013 divided by turnover in 2013, and multiplied by 360 days.

VIII. Interests in Joint Ventures

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

IX. Interests in Associates

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

X. Available-for-sale Investments

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

XI. Interest Bearing Borrowings

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

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

XII. Trade and Bills Payables

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

XIII. Other Financial Indicators

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

Table 3:

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

Notes:

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

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

As at 30 June 2014, the Group's current ratio was 1.20, and the debt-to-equity ratio was 35.74%, representing a stable financial structure.

Table 4:

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

Notes:

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

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

XIV. Liquidity and Financial Resources

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

As at 30 June 2014, cash and cash equivalents of the Group amounted to RMB467 million, which were denominated mainly in Renminbi and US dollars.

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

Table 5:

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

Table 6:

	As at 30 June 2014 *RMB'000*	As at 31 December 2013 *RMB'000*
Within one year	**2,104,511**	1,425,335
More than one year, but not exceeding five years	**200,000**	–
More than five years	**2,487,310**	2,486,135
Total	**4,791,821**	3,911,470

Table 7:

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

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

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

XV. Operational and Financial Risks

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

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

Market risk

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

Most of the Group's assets, liabilities and transactions are denominated in Renminbi, US dollars and Hong Kong dollars. As the amount of the Group's foreign currency dominated assets and liabilities were immaterial, the fluctuations of exchange rates did not have a significant impact on the performance of the Group. The Group has been closely monitoring and strictly controlling the above-mentioned risks to ease the potential adverse effects they might bring to the Group's financial performance.

Credit risk

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

Liquidity risk

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

XVI. Contingent Liabilities

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

XVII. Capital Commitment

Table 8:

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

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

XVIII. Major Investments

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

XIX. Remuneration Policy

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

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

The Group reviews its remuneration policy annually and, if necessary, engages professional consultant, to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 30 June 2014, the Group had about 7,394 full-time employees (including those employed by subsidiaries), and their remuneration is determined with reference to market rates. No individual employee shall have the right to determine his/her own remuneration.

In addition to the basic remuneration, the Group also value the importance of training and development of employees. For the six months ended 30 June 2014, the Group provided 7,190 hours of training in aggregate for about 1,718 person-times (trainings held by subsidiaries excluded). The training courses covered areas such as marketing management, operation and management, laws and regulations, lean management, project management, finance, logistics, human resources management, information technology, safety production and general working skills. These training further improved the management skills and professional standard of the management of the Group and enhanced the overall quality of the employees to meet the requirements of the Group's rapid developments, and further improved the competitiveness of the Group.

The Board of Directors (the "**Board**") of the Company announces the unaudited interim results of the Group for the six months ended 30 June 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014 – unaudited

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

	Note	Six months ended 30 June **2014** ***RMB'000***	 2013 *RMB'000*
Profit for the period attributable to			
– Owners of the Company		**137,555**	352,260
– Non-controlling interests		**(64,816)**	(7,582)
		72,739	344,678
Other comprehensive income/(expenses)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**31,631**	(54,945)
Changes in fair value of available-for-sale investments		**6,733**	8,901
Other comprehensive income/(expenses) for the period, net of tax		**38,364**	(46,044)
Total comprehensive income for the period		**111,103**	298,634
Total comprehensive income attributable to			
– Owners of the Company		**175,919**	306,216
– Non-controlling interests		**(64,816)**	(7,582)
		111,103	298,634
Earnings per share	*6*		
Basic (RMB)		**0.0196**	0.0501
Diluted (RMB)		**0.0196**	0.0501

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2014 – unaudited

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

	At **30 June** **2014** ***RMB'000***	At 31 December 2013 *RMB'000*
Net current assets	**1,570,715**	1,324,280
Total assets less current liabilities	**16,507,402**	16,198,578
Non-current liabilities		
Interest-bearing borrowings		
– due after one year	**2,687,310**	2,486,135
Deferred income	**117,309**	122,456
Deferred tax liabilities	**252,691**	259,082
Other long-term liabilities	**41,339**	37,928
	3,098,649	2,905,601
NET ASSETS	**13,408,753**	13,292,977
CAPITAL AND RESERVES		
Issued equity	**8,267,384**	8,267,384
Reserves	**4,995,984**	4,820,065
Total equity attributable to owners of the Company	**13,263,368**	13,087,449
Non-controlling interests	**145,385**	205,528
TOTAL EQUITY	**13,408,753**	13,292,977

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. Basis of preparation

The condensed consolidated financial statements of the Group have 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 (the "**Listing Rules**"), including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in note 2.

2. Change in accounting policies

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

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

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

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

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

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

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

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

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

HK(IFRIC) 21, *Levies*

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

3 Segment reporting

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

- Marketing: sourcing and distribution of fertilizers and agricultural related products

- Production: production and sales of fertilizers

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

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

For the six months ended 30 June 2013	Marketing *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue				
External revenue	18,261,485	2,318,588	–	20,580,073
Internal revenue	166,553	757,125	(923,678)	–
Segment revenue	18,428,038	3,075,713	(923,678)	20,580,073
Segment gross profit	725,604	396,418	–	1,122,022
Segment profit	298,428	102,803	–	401,231
Share of results of associates	(122)	84,425	–	84,303
Share of results of joint ventures	11	8,962	–	8,973
Unallocated expenses				(39,322)
Unallocated income				94,830
Finance costs				(123,850)
Profit before taxation				426,165
As at 31 December 2013				
Segment assets	6,141,681	6,695,368	–	12,837,049
Segment liabilities	5,139,128	1,148,809	–	6,287,937

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

4. Profit before taxation

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

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
(a) Finance costs		
Interests on borrowings		
– wholly repayable within five years	**33,802**	60,175
– not wholly repayable within five years	**63,675**	63,675
	97,477	125,850

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

(b) Other items

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

5. Income tax expenses

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

(i) The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2013: 16.5%) to the six months ended 30 June 2014.

(ii) The provision for the PRC Enterprise Income Tax is based on the statutory rate of 25% (2013: 25%) on the estimated taxable profits determined in accordance with the relevant income tax rules and regulations of the PRC for the six months ended 30 June 2014, except for certain subsidiaries of the Company which enjoy a preferential tax rate according to related tax policies.

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

6 Earnings per share

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

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic/diluted earnings per share	**137,555**	352,260
	'000 shares	*'000 shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic/diluted earnings per share	**7,024,456**	7,024,456

7 Dividends

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

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

8 Trade and bills receivables

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

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

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

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

Included in the Group's trade receivables are debtors with aggregate carrying amount of RMB39,892,000 (as at 31 December 2013: RMB75,314,000) which are past due at the end of the reporting period for which the Group has not provided for allowance for doubtful debts as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

9 Other deposits

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

10 Trade and bills payables

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

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

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

INTERIM DIVIDEND

The Board did not recommend the declaration of interim dividend for the six months ended 30 June 2014.

AUDIT COMMITTEE

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transaction by directors. Having made specific enquiry of all directors of the Company, all directors confirmed through a confirmation that they had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2014.

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

CORPORATE GOVERNANCE STANDARDS

Recognizing the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, the Company is committed to maintaining a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practice on corporate governance. The Company has complied with the applicable code provisions in the Corporate Governance Code and Corporate Governance Report (referred to "**Corporate Governance Code**" hereunder) set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2014 and up to the date of this announcement, except for the deviations from the code provision E.1.2 as described below.

The code provision E.1.2 provides that, among others, the chairman of the board should attend the annual general meeting of the listed issuer. In the annual general meeting held on 15 May 2014 ("**2014 AGM**"), Mr. Liu De Shu, Chairman of the Board, did not chair the meeting due to other essential business engagements. In order to ensure smooth holding of the 2014 AGM, the Chairman of the Board authorized and the directors attended the meeting elected Mr. Wang Hong Jun, the executive director and Chief Executive Officer of the Company, to chair the meeting on behalf of the Chairman of the Board. Respective chairmen of the audit, remuneration and nomination committees of the Company were present at the 2014 AGM and were available to answer relevant questions, which was in compliance with other part of code provision E.1.2.

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

BOARD OF DIRECTORS

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

For and on behalf of the Board
SINOFERT HOLDINGS LIMITED
Wang Hong Jun
Executive Director and Chief Executive Officer

Hong Kong, 21 August 2014