

Corporate Presentation 2005 Interim Results



中化香港控股有限公司
SINOCHEN HONG KONG HOLDINGS LTD.

Results Highlights for Jan-Sept 2005

Manufacturing Business

- Profit contributed from manufacturing business increased by 129%
- Production capacity increased 17%, reaching 2,730,000 tonnes

Procurement

- Maintained Market share of imported potash fertilizers and compound fertilizers at over 50%
- Domestic procurement increased by 174% YOY

Distribution

- Distribution network extended to 5 more provinces, reaching 20 in total
- Developed multi-layer agrichemical services



SINOCHEN

Turnover & Volume

- Sales Volume increased 30%
- Turnover increased 53%

Profitability

- Gross profit margin maintained at 7~8%
- Net profit increased by 50%

Shareholders' Return

- Net RoE was 22%, well ahead of the industry average
- Dividend payout ratio will be 15~25% of distributable profit for the year



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Interim Financial Results- Key Financial Data

(HK\$ 000')	2005.01-09	2004.01-09	Change
Sales Volume (Ton)	9,158,022	7,066,161	29.60%
Turnover	15,859,039	10,342,784	53.33%
Gross profit	1,158,156	816,891	41.78%
Income from investment ⁽¹⁾	50,607	24,523	106.37%
Profit before tax	723,685	505,489	43.17%
Net profit	586,907	390,735	50.21%
EPS (HK\$)	0.11		
Gross profit margin	7.30%	7.90%	-0.60%
Net profit margin	3.70%	3.78%	-0.08%
Net RoE ⁽²⁾	21.69%	20.18%	1.51%
Debt-to-equity ratio	135%	232%	-97.00%

1. Excluding consolidated income from Sinochem Fuling and Sinochem Zhisheng

2. Excluding the effect of increase in share equity as a results of share issue for the re-listing 3



Interim Financial Results - Operating Scale Continued to Expand

Turnover (HK\$ 000')

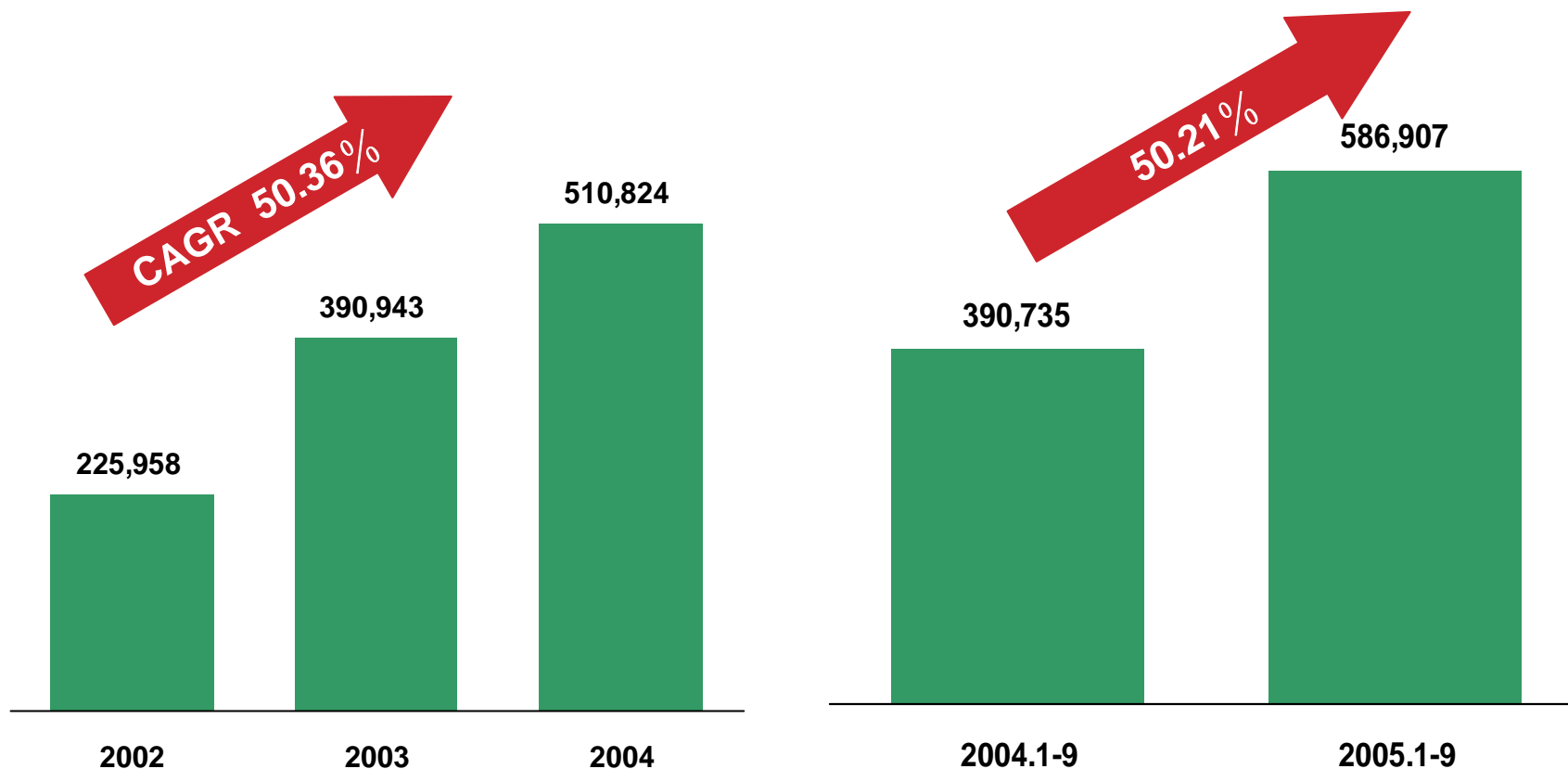


- CAGR for the turnover from 2002 to 2004 was 27%
- During January to September 2005, turnover increased by 53% compared with the same period in 2004



Interim Financial Results - Demonstrated Strong Profitability

Net Profit (HK\$ 000')

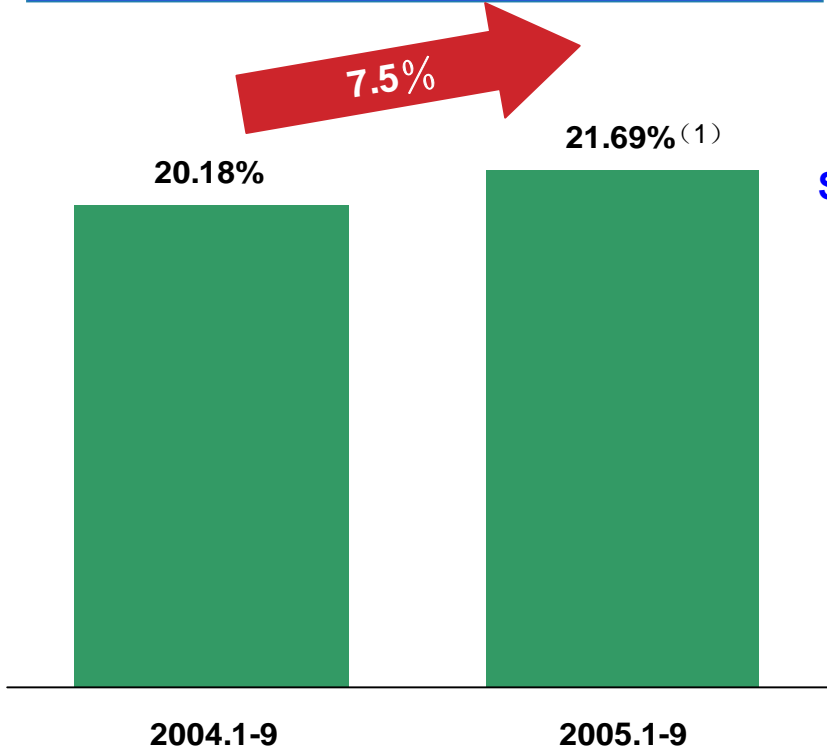


- Net profit growth for 2002~2004 maintained a rapid growth
- During January to September 2005, net profit increased 50% continuing the trend of previous years



Interim Financial Results - Sustained Higher Yield

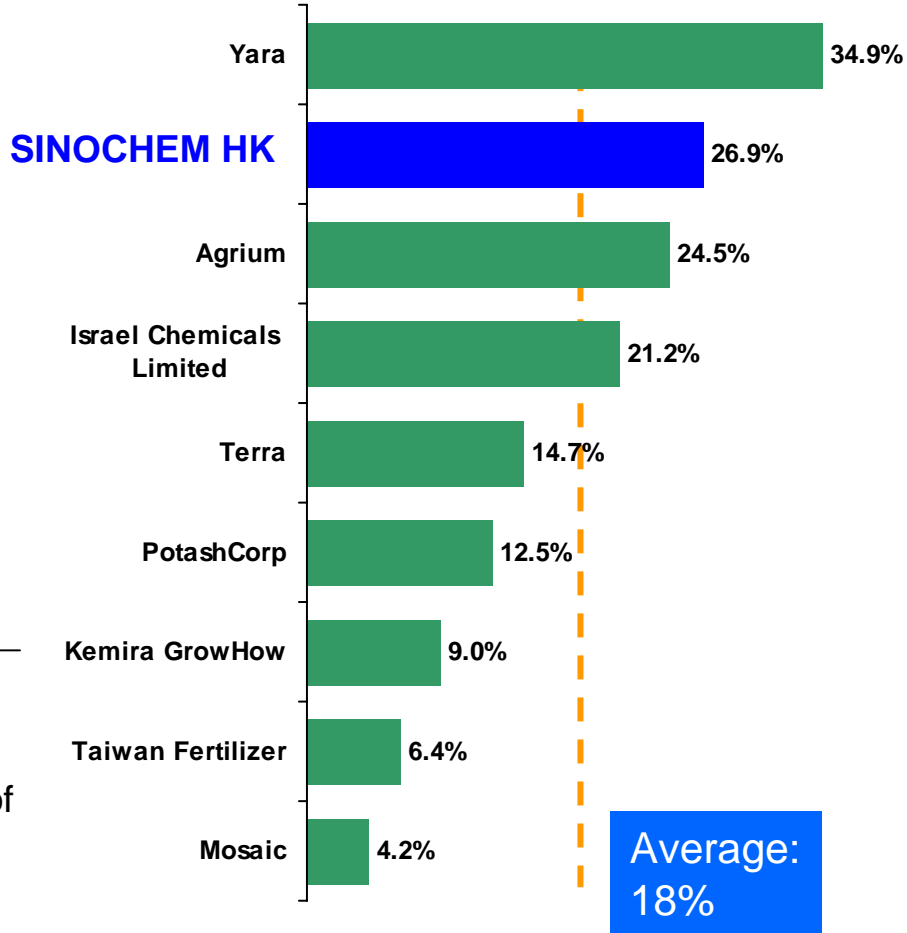
Net RoE*



(1) Excluding the effect of increase in share equity of HK\$768 million as a results of share issue during listing



2004 RoE Comparison of Major Fertilizer Companies Worldwide



Interim Financial Results - Sales Volume and Gross Profit

Sales Volume (tonnes)

Gross Profit from Sales (HK\$ 000')

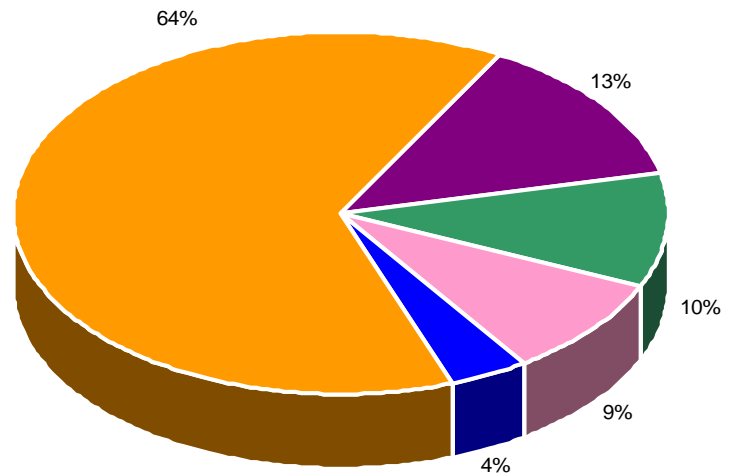
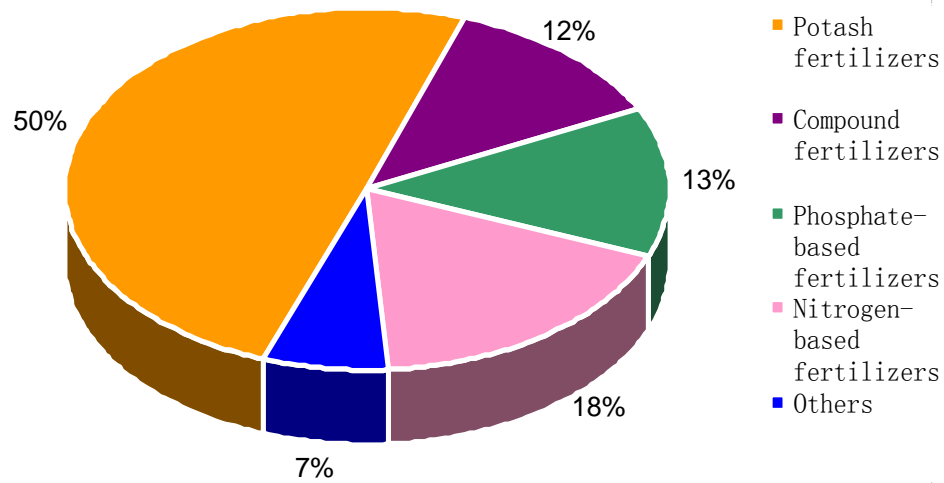


Interim Financial Results - Sales Volume and Gross Profit

Sales Volume Breakdown

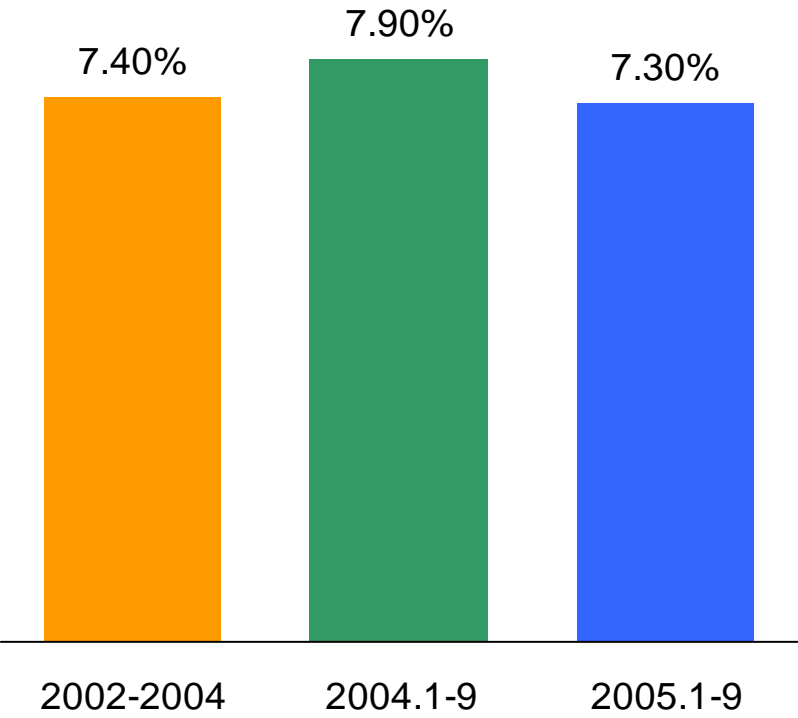
Gross Profit Breakdown

Jan-Sept
2005

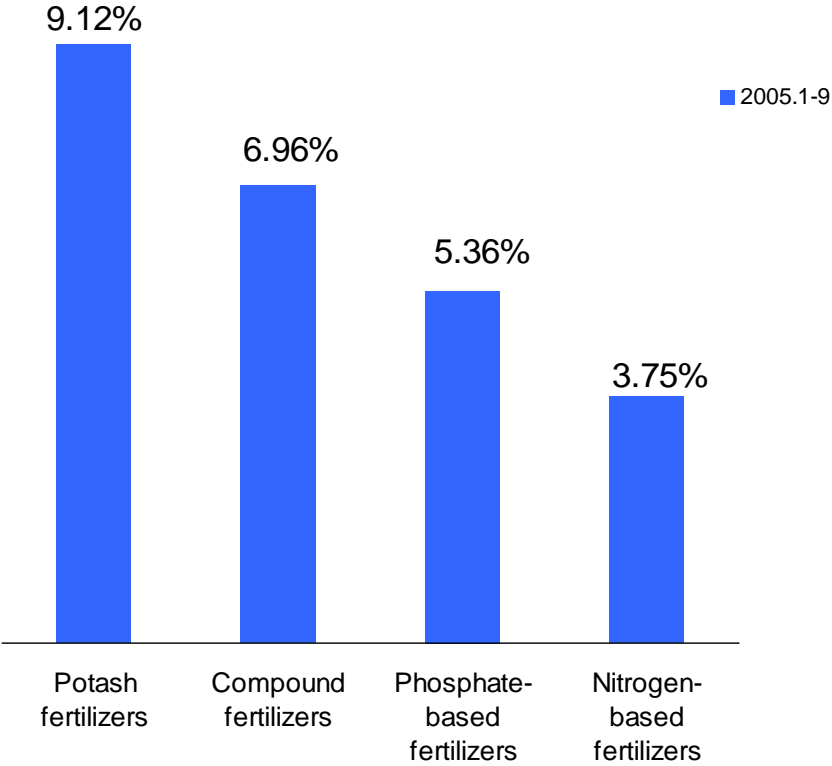


Interim Financial Results - Gross Profit Remained Stable at 7-8%

Gross Profit Margin

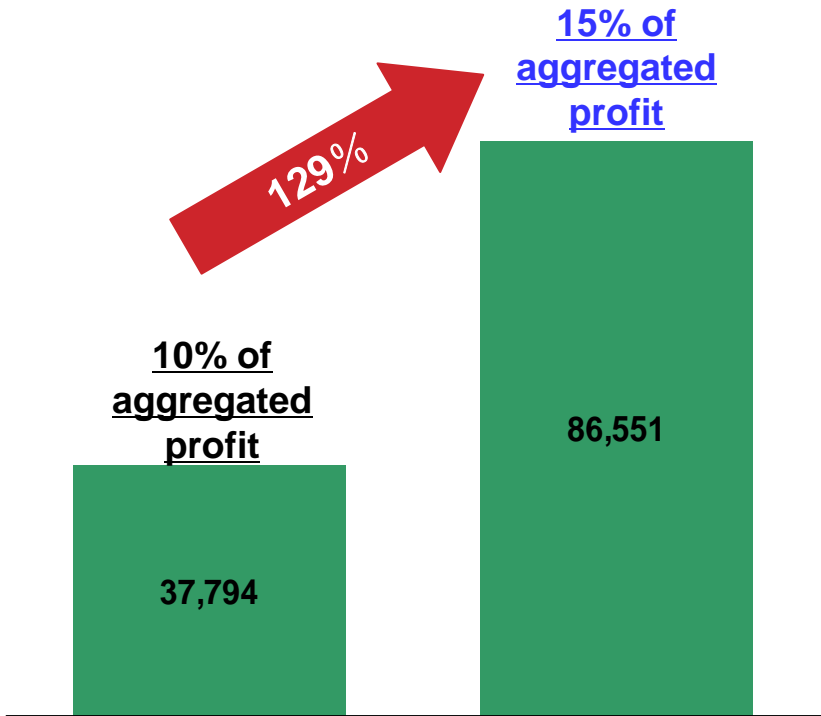


Gross Profit of Major Commodities

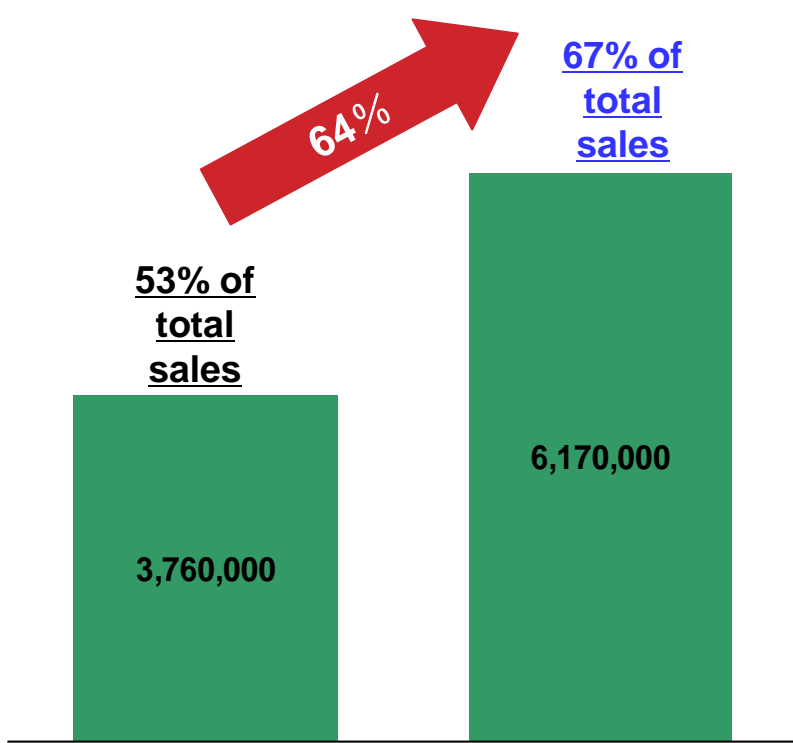


Interim Financial Results - Balanced development of the upstream and downstream businesses

Profit from Production (HK\$ 000')



Volume of Distribution (Tonnes)



2004.1-9

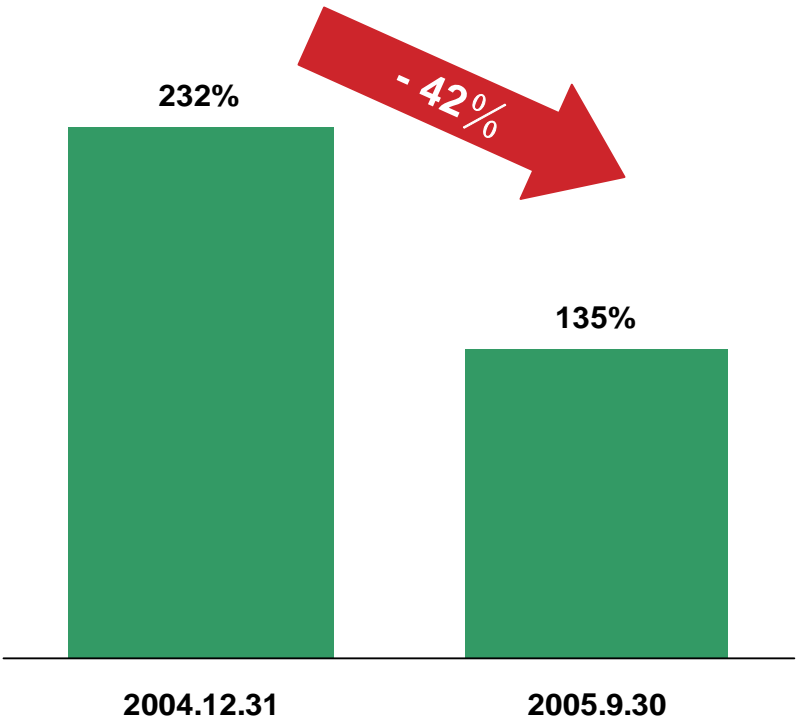
2005.1-9

2004.1-9

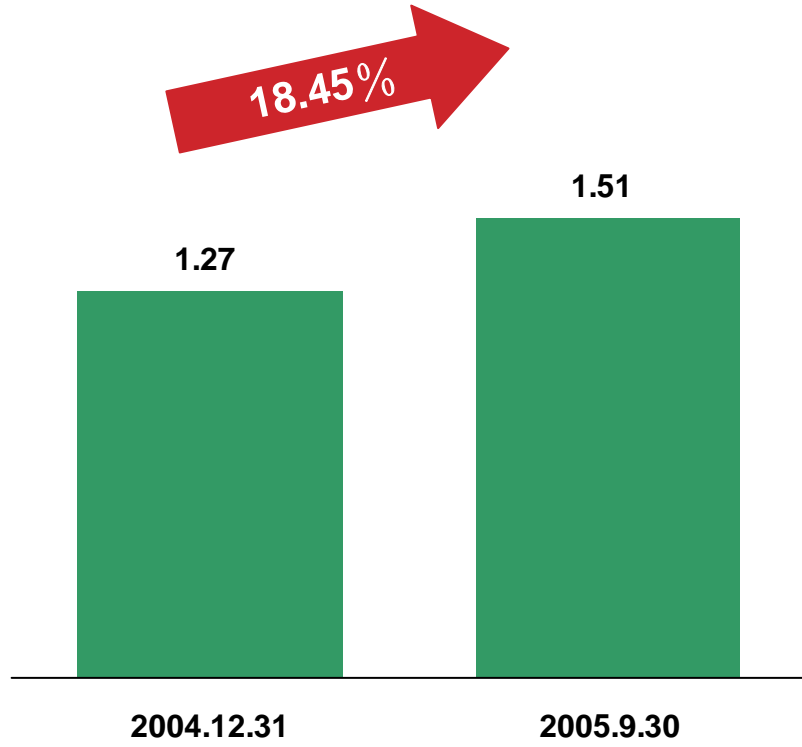
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Interim Financial Results - Continuously Improved Debt Repayment Capability

Debt-to-Equity Ratio



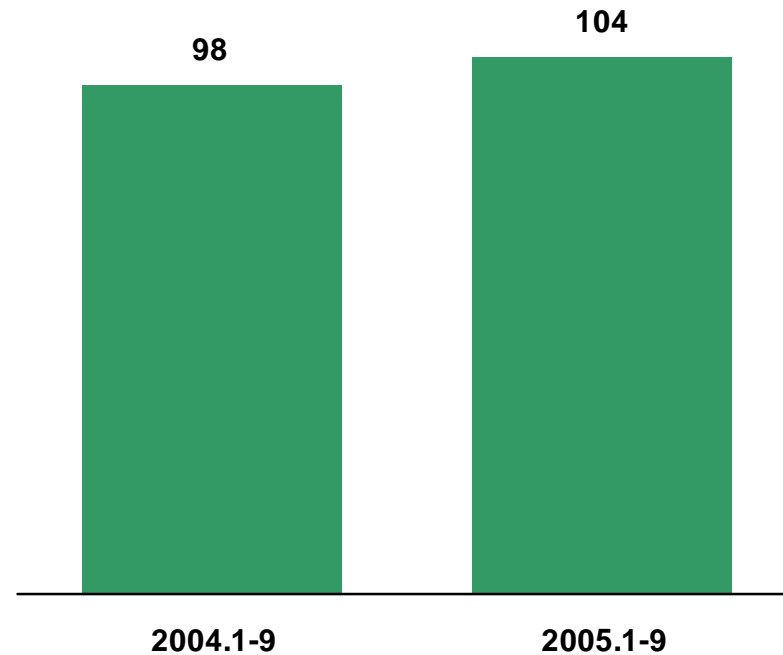
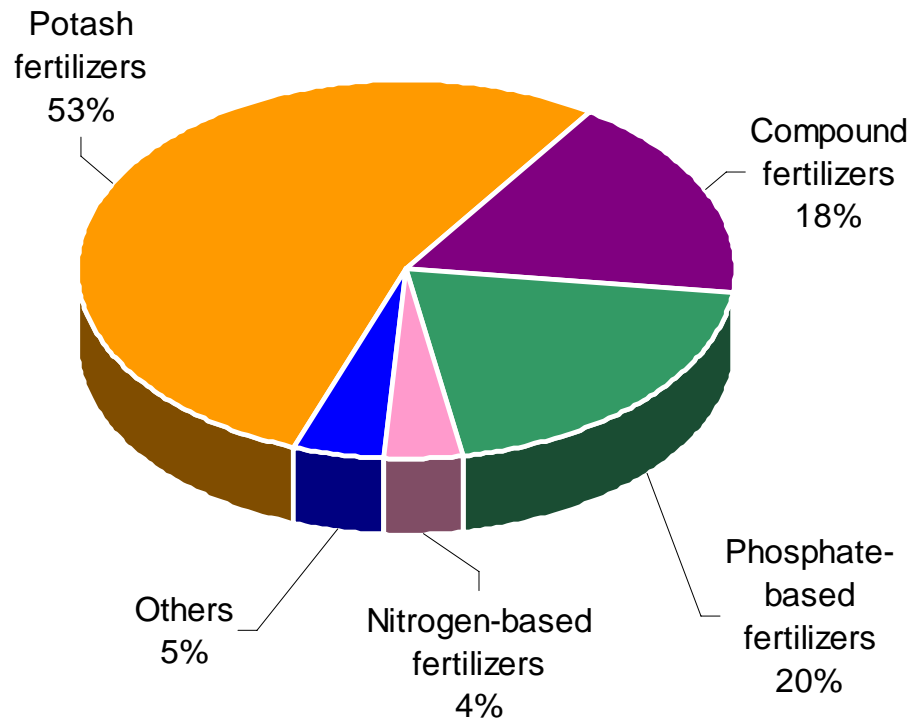
Current Ratio



Interim Financial Results - Inventory Turnover

Inventory on Hand

Turnover Day



- Marketing and sales model extended downstream to the end-users. As a result, inventory turnover has slowed down a little



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Drivers for Results Improvement- Enduring Improvements in Profit from Production and Supply Capability



- ★ *Production facilities with controlling shares*
- *Production Enterprises under Sinochem Corp.*



Improvement in Manufacturing Capability

Production capability of the Company reached 2,730,000 tonnes, a 17% increase over last year, strengthening the Company's market position

Product Varieties

Product lines covered phosphate-based fertilizers, Nitrogen-based fertilizers, Potash fertilizers and compound fertilizers

Attainability of Resources

Proximity to the supply base of the mineral resources needed for production of Nitrogen-based fertilizers and potash fertilizers

Synergy Among Operations

Profit from production increased 129% to HK\$87 million. Supply reached a total of 990,000 tonnes of fertilizers, an increase of 120% over the previous year

Drivers for Results Improvement - Multi-channel Procurement Ensured the Increased Supply of Fertilizer Products

International Procurement

Potash Fertilizer

CANPOTEX
DSW
URAKALI
APC

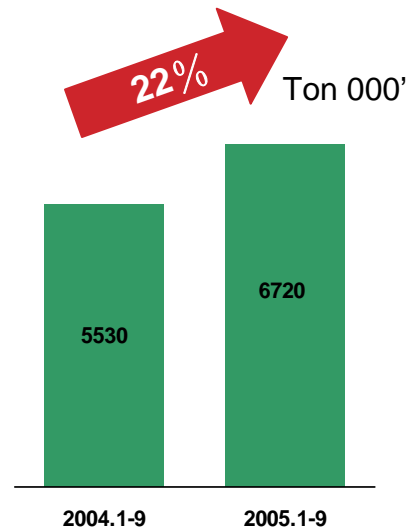
Compound Fertilizer

YARA
Nitrex-Complex
AG

Phosphate Fertilizer

OCP
GCT
Mosaic

- Signed sole agent agreements with 8 of the suppliers
- PCS became a strategic partner of the Company to secure the supply of potash fertilizers
- Shares of imported potash and compound fertilizers remained over 50%

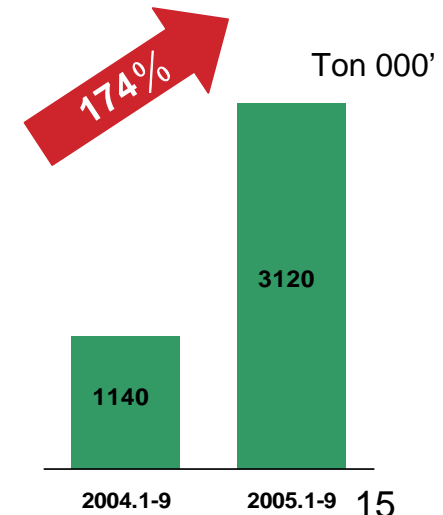


Domestic Procurement

- **Nitrogen-based fertilizer**: from Shanxi Shanhua, Henan Junma...

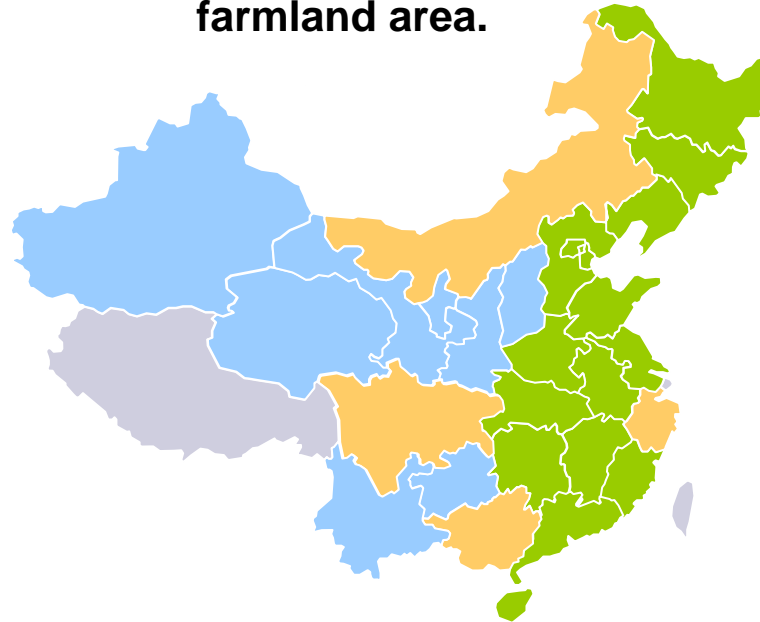
- **Phosphate-based, compound and potash fertilizers**: Yunnan Three-Circle, Guangxi Luzhai, Sinochem Shangdong, Yanhu Potash Fertilizers...




- Advantage in purchasing power
- Good credibility
- Strong brand
- Extensive distribution network

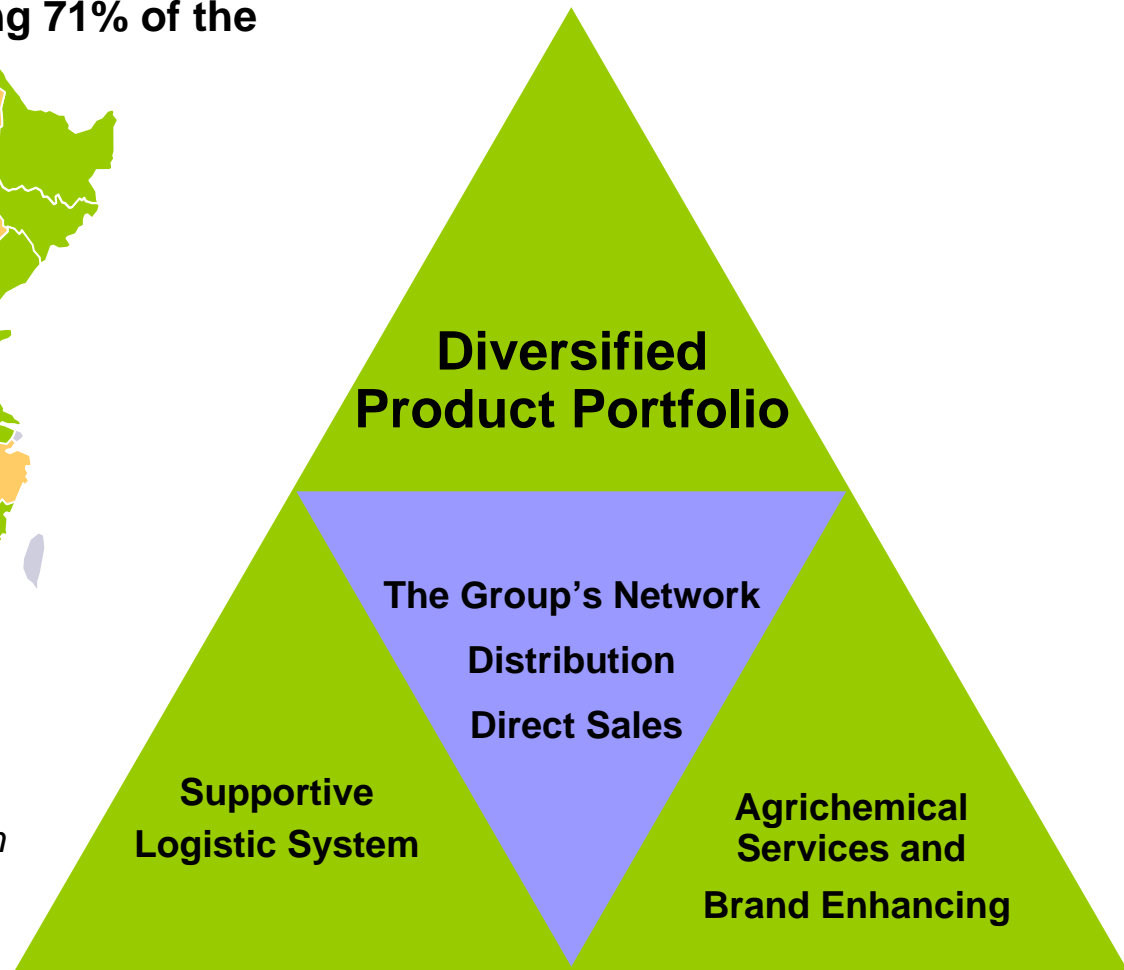


Growth Drivers – “Three-in-One” Marketing and Distribution Service System

Nearly 1,000 outlets covering 20 provinces, representing 71% of the farmland area.



-  Original distribution coverage
-  New coverage in 2005
-  Coverage by way of distribution



Growth Drivers – Refining Internal Control Systems

Internal Control Systems

Business

- Contract Approval Control
- Customers authorization management
- Purchase/ sales approval control

Logistics

- Goods safety risk control
- quality control of storage
- risk control on inventory

Funding

- Debt risk management
- Centralized funding management

Investment

- Investment approval control
- Post-investment evaluation control

Performance Appraisal

- Key performance appraisal system
- Operation plan and budget control system

Comprehensive Legal Support

Audit, inspection and Anti-Corruption Procedures

Information Management Platform Focusing on SAP+DMS



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Prospects and Future Plans - Prospect for the Fertilizer Industry in PRC

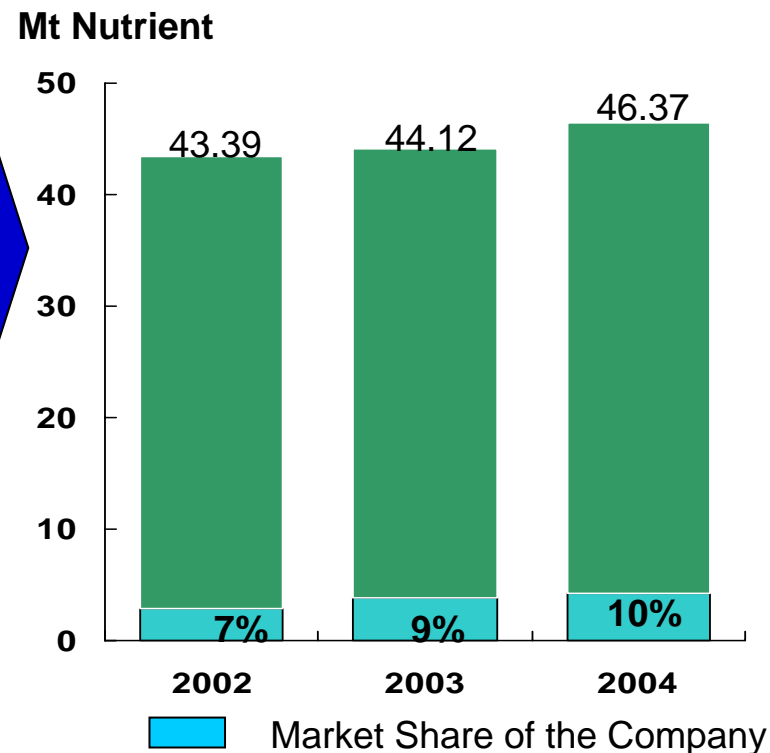
China is the largest fertilizer market in the world. China's farmland represents 7% of the total farmland in the world, supporting 22% of the world's population and accounting for 28% of world fertilizer consumption.

Preferential policies for the agriculture sector implemented by the PRC government: Cancellation of agriculture tax from 2006 onwards; Direct subsidies to peasants; Increased investment in agriculture infrastructure

Increasing agriculture product prices motivate both agriculture production and fertilizer consumption

Growing demand for fertilizers driven by the sustainable development of the agriculture sector

Annual Growth in Market Share



(Sources: China Statistic Year Book and company information)



Prospect and Future Plan - Key Strategies

Continue to carry out the development strategy of integrated production, supply and sales with marketing and distribution playing a leading role, maintaining stable, sustained and rapid growth.

Production

- Enhance product quality
- Increase supply
- Inject Yanhu Potash Fertilizer, Sinochem Shandong Fertilizer and Tianji Sinochem into the listed company

- Enhance production profit contribution
- Integrate production procedures and broaden profit margin

Inject 3 enterprises into the Company's corporate structure

Yanhu Potash Fertilizers

- Listed on the Shenzhen Stock Exchange, with a yearly capacity of 1.5 million tons in the production of chloride potassium
- Sales for January-September was RMB1.21 billion, net profit was RMB432 million
- Sinochem Group holds 20% of the shares. Qinghai Yanhu Industrial Group, the largest shareholder, holds 33.1% of the shares

Tianji Sinochem

- Shareholding: 40%
- Product: granular urea
- Capacity: 600,000 ton per year

Sinochem Shangdong Fertilizers

- Shareholding: 60%
- Product: compound fertilizer
- Capacity: 600,000 ton per year

In Progress



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Prospect and Future Plan - Key Strategies

Continue to carry out the development strategy of integrated production, supply and sales with marketing and distribution playing a leading role, maintaining stable, sustained and rapid growth.

Procurement

- Strengthen strategic partnerships with international suppliers
 - Maintain market share in potash fertilizers and compound fertilizers above 50%
 - Increase the negotiating power of the Company in international procurement market
 - Expand the operating scale of domestic fertilizer business
- Competitive advantage in procurement cost of imported fertilizers
 - Increase profitability of domestic fertilizer business



Prospect and Future Plan - Key Strategies

Continue to carry out the development strategy of integrated production, supply and sales with marketing and distribution playing a leading role, maintaining stable, sustained and rapid growth.

Marketing and Distribution

- Further enhance the marketing and distribution model combining product sales, logistics and agrichemical services into one.
- Implement customer-oriented product portfolio strategy to increase market share
- Combine agrichemical services, products sales and brand promotion
- Secure port facility resources and establish large distribution centres

- Enhance marketing capability and sales volume
- Expand value chain and profitability
- Lower logistic cost and increase profit margin
- Improve efficiency for logistics and operating capital usage





Open Forum

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Appendix 1: Interim Financial Performance – Condensed Profit and Loss Account

HK\$'000	2005 Jan-Sept	2004 Jan-Sept
Sales from principal business	15,859,039	10,342,784
Cost of sales of principal business	(14,700,883)	(9,525,893)
Profit from principal business	1,158,156	816,891
Other revenue	43,114	28,665
Operating expense	(297,966)	(252,006)
Management expense	(148,176)	(79,911)
Operating profit	755,128	513,639
Finance expense	(82,050)	(32,673)
Income from investment	50,607	24,523
Total Profit	723,685	505,489
Income tax	(112,562)	(104,772)
Minority interest	(24,216)	(9,982)
Net profit	586,907	390,735



Appendix 2: Interim Financial performance – Condensed Balance Sheet

HK\$'000	30 Sept 2005	31 Dec 2004
Non-current assets	703,839	507,994
Long-term investment	367,842	351,698
Intangible assets and other assets	412,898	56,857
Monetary assets	267,700	214,064
Trade and bills receivable	1,111,651	533,193
Inventory	4,582,816	3,902,571
Other current assets	728,897	1,258,139
Total assets	8,175,643	6,824,516
shareholders equity	3,282,165	1,900,866
Minority interests	191,083	155,436
Total equity	3,473,248	2,056,302
Long-term loans	240,448	130,701
Deferred tax liabilities	29,781	2,107
Short-term loans	1,464,366	1,633,364
Trade and bills payable	2,324,025	1,431,328
Other current liabilities	643,775	1,570,714
Total liabilities	4,702,395	4,768,214
Total equity and liabilities	8,175,643	6,824,516



Appendix 3: CAPEX Updates

HK\$ 000'	Proposed use of proceeds during listing	Actual Capex during Jan~Sept 2005	Future Capex plan
Asset under construction	246,856	148,537	84,369
Contracted	229,498	134,472	65,983
Authorized	17,358	14,065	18,386
Investment in Yunnan Sanhuan Sinochem	131,616		134,267
Total	378,472	148,537	218,636

- Future Capex will be mainly for the purchase of manufacturing installations for Chongqing Sinochem-Fuling and the setting up of Yunnan Sanhuan Sinochem joint venture.

