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 2017

FINANCIAL HIGHLIGHTS

- The Group's revenue was RMB10,469 million for the current period, increased by 17.51% year on year
- Profit attributable to owners of the Company for the current period was RMB13 million, returning to profitability
- Basic earnings per share for the current period was RMB0.0018, (basic loss per share for the six months ended 30 June 2016: RMB0.0615)
- The Board did not recommend the declaration of interim dividend for the six months ended 30 June 2017

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.

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

MANAGEMENT REVIEW AND PROSPECT

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 mechnism, 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 procution 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 20 March, 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 techology 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 the 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 segment 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 Company, 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 from loans to 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.

The board of directors (the "Board") of Sinofert Holdings Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017 – unaudited

		Six months ended 30 June	
		2017	2016
	Note	***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)

		Six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Profit/(Loss) for the period		**8,400**	(495,260)
Other comprehensive income			
Item 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)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017 – unaudited

	Note	**At 30 June 2017** *RMB'000*	At 31 December 2016 *RMB'000*
Non-current assets			
Property, plant and equipment		**3,379,800**	3,427,768
Lease prepayments		**494,219**	500,736
Mining right		**595,250**	611,367
Goodwill		**840,483**	849,966
Other long-term assets		**11,065**	12,051
Interests in associates	*8*	**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	*9*	**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
Current liabilities			
Trade and bills payables	*10*	**3,763,173**	4,574,711
Other payables and receipt in advance		**1,386,820**	3,603,543
Interest-bearing borrowings – due within one year		**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

	At 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Non-current liabilities		
Interest-bearing borrowings – due after one year	**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

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, 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 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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.

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: sourcing and selling of compound fertilizers and new type of fertilizer
- Production: production and sales of fertilizers and MCP/DCP

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.

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	**Distribution**	**Production**	**Elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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**

	For the six months ended 30 June 2016				
	Basic Fertilizers	Distribution	Production	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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*
Interests 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 prepaid lease payments	**6,517**	6,589
Amortization of mining right	**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 and diluted 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/diluted 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/diluted earnings/(losses) 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 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).

8. 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.

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.

9. 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

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.

10. 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

INTERIM DIVIDEND

The Board did not recommend the declaration of interim dividend for the six months ended 30 June 2017.

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.

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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and its amendments from time to time 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 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 announcement, 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 announcement, 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.

BOARD OF DIRECTORS

As at the date of this announcement, 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
SINOFERT HOLDINGS LIMITED
Qin Hengde
Executive Director and Chief Executive Officer

Hong Kong, 24 August 2017

* For identification purposes only