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 2013

FINANCIAL HIGHLIGHTS

- The Group's turnover for the current period was RMB20.58 billion, down by 8.68% compared to the corresponding period in 2012
- Profit attributable to shareholders for the current period was RMB352 million, down by 35.53% compared to the corresponding period in 2012
- Basic earnings per share for the current period was RMB0.0501, down by RMB0.0276 compared to the corresponding period in 2012
- The Board did not recommend the declaration of interim dividend for the six months ended 30 June 2013

CHAIRMAN'S STATEMENT

Dear Shareholders,

Hereby I 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 2013.

In the first half of 2013, the growth of China's economy started to slow down, the deep-rooted contradictions accumulated over the years became prominent in the fertilizer industry, the market continued to be sluggish and the whole industry ran into difficulties. Facing such background, the Group persisted in promoting the seven strategies, insisted on "taking every crisis as an opportunity", stayed poised, strengthened market analysis and established the operation principle of "earning more income and cutting down expense, reducing cost and improving efficiency as well as strictly controlling risks". The total sales volume in the first half of 2013 was 9.14 million tons, up by 1.06% compared to the corresponding period in 2012; the Group's sales revenue was RMB20.58 billion, down by 8.68% compared to the corresponding period in 2012; the profit attributable to shareholders was RMB352 million down by 35.53% compared to the corresponding period in 2012. Operation quality indicators including the cost-to-income ratio, cash flow from operating activities, current assets turnover ratio and capital structure kept in good condition, and various risk indicators reached requirements for the conservatism rating. At the same time, the Group's operating capability was consolidated and enhanced, and the strategic partnership with international suppliers maintained further stabilized.

In the second half of 2013, the prospect of the world economy is faced with large uncertainties, the oversupply situation will continue to intensify and major changes are also brewing up in the fertilizer industry; the foundation for steady economic progress is still not solid and the momentum for endogenous growth still needs to be strengthened against the background of Stabilizing Economic Growth and Adjusting Economic Structure. However, under such circumstances, the Chinese government continued to strengthen its support for agriculture and there are growth opportunities in the development of modern agriculture, agricultural production mode reform and the urgent outstanding problems of food security and soil pollution, etc..

Confronted with a complex market environment, the Group will strictly control the operation risks, pay close attention to the current operation and endeavour to increase the performance contribution in the current year. At the same time, the Group will accelerate its progress in innovation and transformation, further push forward its seven major strategies of "Marketing, Production, Resource, Science and Technology, Information, Human Resource and HSE", and foster its core competitiveness for the future so as to build a solid foundation for the Group's sustainable development in the long run. The Group will continue to carry forward the customer-oriented marketing strategy with the focus on the integrated operation of compound fertilizers at the present stage, to insist on promoting the industrial development strategy for advanced manufacturing through its subsidiaries' fundamental management improvement, technological upgrading, cost reduction and efficiency improvement as well as safety production; to promote its resource acquisition strategy with a global vision through actively seeking opportunities against the background of excessive production capacity and a sluggish market; to carry forward its scientific and technological innovation strategy to support the production by grasping opportunities created by modern agriculture and energy saving and environmental protection, and embark on a road of intensive development with technological upgrading and scientific and technical innovation; to push forward the information assurance strategy to lead the transformation by improving the professional management level through informatization; to strengthen its human resource strategy as an engine for development by introducing talents and building teams and promoting the building of leadership and organizational atmosphere under the principle of "specialization, flattening and integration"; and to promote the HSE strategy to guarantee safety production by ensuring safety with an iron hand and improving the HSE management system.

As required by the reform of China's agricultural development mode and energy saving and environment protection, the fertilizer industry is in urgent need of transformation and upgrading so as to embark on a road of intensive development. The Group will adhere to the vision of "becoming a global leading supplier for agricultural inputs and agrichemical services", continue to follow its responsibility concept of "Serving Agriculture, Farmers, and the Countryside, Strengthening Agriculture and Benefiting Farmers", endeavour to create a management and control mode tailored to the Group and be committed to creating values for the shareholders, customers, the society and its employees.

Finally, on behalf of the Board of Directors, I would like to take this opportunity to extend our heartfelt appreciations to all the shareholders and customers of the Company. We hope to have your continuous attention and support in our future development. The Group's management and employees will bear in mind the concept of "creating value and pursuing excellence" and continue to make great contribution to the development of the Group.

Liu De Shu
Chairman of the Board

Hong Kong, 22 August 2013

MANAGEMENT REVIEW AND PROSPECT

In the first half of 2013, international political and economic environment was complex and fast-changing, and the recovery of global economy remained weak, among which the economy of the United States improved slightly, the economy of Eurozone was still in recession, the growth rate of emerging economies kept declining, and meanwhile, the growth rate of China's economy continued to slow down along with the sluggish real economy.

In the first half of 2013, global population continued to grow steadily and the supply and demand of food was still in tight balance. Although the output of China's summer grains kept increasing for ten consecutive years, there was still great pressure for China to secure the food safety. For China, the fundamental way to secure food safety is to promote agricultural modernization and to improve the production capacity of food, among which the fertilizer industry would play a vital role. In addition, agricultural issues were among the top priorities of Chinese government. In 2013, the Central No. 1 Document continued to focus on agricultural issues especially the innovation of agricultural operation mechanism, and it is required to take all measures to rationalize agricultural operation mechanism, to foster new type of agricultural operation entities, to boost the increase of agricultural output and farmers' income, and to promote the transformation of growth pattern of agriculture, which brings opportunities for the development of fertilizer industry.

In the first half of 2013, the competition in the fertilizer industry was even fiercer. The growth rate of aggregate fertilizer demand around the world was slowing down, while the production capacity of total fertilizers was still increasing rapidly, which made it worse for the existing oversupplied fertilizer industry. As the largest fertilizer producer and consumer in the world, China suffered from the continuous oversupply of fertilizers except potash. Under the current situation of fertilizer oversupply, the preferential policies for the fertilizer industry were tightening constantly, constraints from environment protection and resources were continuously intensifying, and the fertilizer market kept sluggish almost for the entire first half of this year, all of which had brought significant pressure to the operation of fertilizer enterprises.

Faced with the complex market environment, under the leadership of the Group's Board of Directors, and along with the objective of improving the core competitiveness, the Group deeply promoted its seven major strategies of "Marketing, Production, Resource, Science and Technology, Information, Human Resource and HSE", and continued with innovation in marketing, technology and management, which helped the Group to realize its sustainable development under the downward market.

Financial Highlights

For the six months ended 30 June 2013, the Group's sales volume reached 9.14 million tons, up by 1.06% compared to the corresponding period in 2012, turnover reached RMB20.58 billion, down by 8.68% compared to the corresponding period in 2012, and profit attributable to shareholders of the Company reached RMB352 million, down by 35.53% compared to the corresponding period in 2012.

Resource Security

Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong"), a subsidiary of the Group, is a large manufacturing enterprise with integrated phosphate rock mining, beneficiation, and production and sales of phosphate products. At present, Sinochem Yunlong owns 300 million tons of high quality phosphate rock with the annual production capacity of 600,000 tons of phosphate rock and 300,000 tons of high-end feed grade phosphate. In the first half of 2013, Sinochem Yunlong has taken as many measures as possible to promote the construction of the mines and increase the resource reserves under the existing mineral rights. In the first half of 2013, Mozushao zone produced the phosphate rock of 295,700 tons, exceeding the target by more than 20,000 tons; and the pre-procedures for the construction and mining of Dawan zone were progressed in accordance with the plan, with the feasibility study report being completed. Meanwhile, the Group has also conducted technology research and development on phosphate rock, with the completion of the beneficiation experiment on low grade rock of Mozushao zone in the first half of 2013.

After more than one year's operation, the benefits of strategic asset from Sinochem Yunlong further emerged, which laid the foundation for the Group to integrate the industrial chain of phosphate fertilizer and phosphate chemicals, and provided abundant experience to constantly promote the strategy of resource acquisition.

Production Business

In the first half of 2013, the Group complied with the development trend of "12th Five-Year" Plan, and constantly promoted the upgrading of technology to improve its competitiveness according to the vision of the development of advanced manufacture.

In the first half of 2013, the Group has actively promoted the projects of energy-saving and emission-reduction, technology upgrading, and safety improving in order to improve the technology level and competitiveness of enterprises, including the energy-saving renovation project of 300,000 tons of sulphuric acid of Sinochem Chongqing Fuling Chemicals Co., Ltd. ("Sinochem Fuling"), the project of 300,000 tons of wet processed dilute phosphoric acid of Sinochem Fuling, the project of 240,000 tons sulphur-strengthened DAP of Sinochem Fuling, the project of new added 2 × 2500 m^3 sulphuric acid storage tanks of Sinochem Yunlong, and the technology renovation project of phosphoric acid purifying equipments of Sinochem Yunlong. Meanwhile, the Group promoted the benchmarking management system, quality management system, and performance evaluation system in all subsidiaries in order to guide the subsidiaries to further lower the production consumption level and improve the product quality. Among which, total coal consumption for each ton of urea of Sinochem Jilin Changshan Chemicals Co., Ltd. ("Sinochem Changshan") from January to June dropped by 1.9%, and total electricity consumption for each ton of urea declined 2.0% compared to the corresponding period in 2012. In addition, the Group continued to conduct specialized activities in manufacturing enterprises to track the operational status of key equipment, coordinate to solve the equipment failure problems, reduce the defects of the equipments, and finally improve the stability of production.

In the first half of 2013, the total production capacity of the Group exceeded 10 million tons, among which Sinochem Changshan, a subsidiary of the Group, owns an annual production capacity of 500,000 tons of fertilizers and realized the output of 208,700 tons of nitrogen and others. The renovation project of energy-saving and consumption-reduction for urea production equipment of Sinochem Changshan with total investment of RMB1.198 billion was promoted steadily as scheduled, and some civil construction was already finished. Upon the completion of the project, annual production capacity of synthesis ammonia and urea of Sinochem Changshan would increase to 360,000 tons and 600,000 tons respectively.

With the annual production capacity of 1.5 million tons of fertilizer, Sinochem Fuling, a subsidiary of the Group, reached the output of 761,200 tons of phosphate, compound fertilizer and others in the first half of 2013, while the output of other controlling compound fertilizer enterprises reached 307,200 tons. Under the situation of high raw material prices, Sinochem Fuling stuck to the low-cost manufacture, and strengthened the cooperation and synergy with the marketing network of the Group.

Marketing Business

The Group firmly stuck to the existing operational strategies, and constantly strengthened the construction of marketing ability and exploration of basic level clients. In the first half of 2013, the Group realized sales volume of 9.14 million tons, up by 1.06% compared to the corresponding period in 2012, which consolidated the Group's market status as the largest fertilizer distributor and service provider in China.

Potash Operation: In the first half of 2013, the Group realized sales volume of 1.64 million tons. Through grabbing the opportunity, the Group successfully concluded the joint negotiation for potash import in the first half of 2013 with the competitive price, which further consolidated the strategic cooperation with international suppliers, and secured the lowest price for imported potash in the world. Through capturing the demand of clients closely, the Group continuously maintained good cooperation with more than 500 core clients nationwide, deeply intensified the value of differential services, actively improved the quality of operation, and consolidated the leading status in potash market. Meanwhile, the Group constantly deepened the transformation of business by building the channel marketing model for agricultural potash.

Nitrogen Operation: In the first half of 2013, the Group maintained the overall scale for the operation of nitrogen with sales volume of 4.11 million tons and leading market share in China. At the beginning of 2013, the Group signed annual strategic cooperation agreements with core suppliers which intensified the basis of strategic cooperation, and successfully finished the procurement of strategic stockpile by grasping the opportunity. Meanwhile, the Group insisted to be customer-oriented and actively adjusted the structure of the products through introducing high-tech UAN and alginate urea with good market prospect, which realized the UAN import in bulk for the first time in China.

Phosphate Operation: In the first half of 2013, the Group realized sales volume of 1.89 million tons. The Group intensified the vision of strategic procurement with the procurement volume from 9 core suppliers increasing significantly, thus improving the market status of the Group and reducing the risk of procurement. The Group also actively adjusted the marketing mode with proportions of direct selling upon arrival, advanced receipts, and direct selling to big clients increasing significantly, thus ensuring the phosphate operation going forward steadily.

Compound Fertilizer Operation: In the first half of 2013, compound fertilizer realized sales volume of 1.17 million tons. The Department of Compound Fertilizer Business was established with intact functions and duties as well as professional staff. The Group actively pushed forward the pilot transformation of marketing, and constantly conducted a series of promotional activities in Shandong and Henan, including agricultural services and end-user promotions through building basic marketing capabilities and carrying out deepening marketing operations, which strengthened the control of channels. Besides, the Group also implemented the integrated operational management through combining the controlling enterprises and nearby sales regions, which improved the operational efficiency and laid the foundation for the regional integration strategy of research, production, and sales.

Feed Grade Phosphate Operation: In the first half of 2013, the Group realized sales volume of 100,000 tons. Due to the quality advantage and comprehensive cost advantage of steady production with self-owned phosphate rock as well as transportation advantage, DCP was mainly sold to near ocean market and also sold to far ocean market to tap the market. Based on the quality and technology advantages as well as the domestic big clients, MCP has met the demand of domestic clients quite well.

In the first half of 2013, the Group maintained over 2,000 distribution centers, and continued to upgrade the existing distribution network in order to improve their profitability. With regard to the development of distribution network, the Group paid more attention to its sustainable development, actively explored the new channel mode to provide services of direct selling, soil testing, formulated fertilization, field demonstration, and field guidance and so on, and actively cooperated with regional agricultural sectors in order secure the service providing ability. Through constant consolidation of client management, the operation with basic level clients witnessed steady growth. Meanwhile, the Group constantly improved the ability in logistics and capacity in storage through promoting the logistics projects in key logistics places such as Linyi and Shijiazhuang. In addition, the Group actively constructed the talent team for distribution network, and built a backbone team with high recognition to corporate culture, high professionism, strong learning ability, good sense of team work and strong ability of innovation.

Internal Control and Management

The Group attaches great importance to internal control and risk management. Apart from the special committees of the Board, the Group also set up seven special management committees including risk and internal control management committees, vigorously promoted the internal control and risk management system of "oriented by risk management, and strengthened by internal control" within the scope authorized by the Board.

The Group's internal control and risk management systems were standardized by "Internal Control Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission in United States and an "Internal Control and Risk Management – A Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants, combined with "the Enterprise Internal Control Basic Standard" and related guidelines issued by five PRC Ministries. In the first half of 2013, the Group conducted comprehensive evaluation work on internal control and risk management with headquarter, distribution network, controlling enterprises, and overseas subsidiaries actively involved, and reviewed the elements of internal control and key points of risks and controls, in order to better cope with the changes in the operation environment at home and aboard, support the strategic transformation of the Group, secure the interests of shareholders, safety of assets and implementation of strategies, and meanwhile meet the compliance requirements of regulatory institutions at home and abroad.

Corporate Social Responsibility

The Group actively gave play to its industrial influence, consolidated its leading role in the industry, strived to become the model enterprise of technology advancing, resource saving, and environment friendly, and also strived to become the important strength to secure the agricultural safety of the country.

The Group constantly promoted the agrochemical service system with its main contents including agrochemical knowledge transmission system, onsite service guiding system, and soil testing and formulated fertilization serving system, in order to push forward the scientific application of agricultural inputs and help increase the yield of crops and income of farmers.

The Group always adheres to the corporate mission of "Serving Agriculture, Farmers, and the Countryside, Strengthening Agriculture and Benefitting Farmers", by means of a self-built distribution network spread over the major agricultural provinces and counties, with the end-users as the target, the Group cooperated with the Ministry of Agriculture and focused on the promotion of social public welfare, through measures including soil testing, farmers field schools, "Double-growth 200" corn in northeastern area, etc.. In the first half of 2013, 1,513 basic-level agrochemical service lectures were constantly held, 46 farmers field schools were built, and over 453 onsite technique guiding activities were conducted. The activity of "Sinochem Corn King Challenge" was co-organized with the Ministry of Agriculture, and 32 demonstration counties were chosen to establish over 92 demonstration villages in order to support the "Double-growth 200" corn technology campaign in 3 northeastern provinces and Inner Mongolia. At the same time, 30,000 copies of "Technological Booklets for High-yield Corn" were co-published with the Ministry of Agriculture, 60,000 corn high-yield technology posters for the purposes of basic-level training and publicity. Promotional cooperation with three northeastern provincial TV stations was realized, which directly benefited over 2.8 million farmer-times. In the first half of 2013, under the project of formulated fertilization from enterprises to farmers and the project of hundreds of counties and thousands of villages and towns initiated by the Ministry of Agriculture, the Group built service stations of soil testing and formulated fertilization in the pilot districts such as Wenxian in Henan, Baoding in Hebei, Dashiqiao in Liaoning, and Heshan in Hunan, and constantly perfected the services of formulated fertilization and mode of operational management.

In addition, the Group was the first to open a 800 free hotline and 400 customer service system. The Group hired professors specializing in plant nutrition, fertilizer, and plant protection from China Agricultural University to answer the farmer's questions on planting and applying fertilizer online all the year round and then placed all the questions and answers into articles broadcasted on a public program – Sinochem Agri-Plaza co-sponsored with China National Radio. There were over 3.1 billion audience-times being benefited. The Group cooperated with "Farmer Daily", "Agricultural Herald" and other three rural-facing and agriculture-facing medias, and opened the "agro-chemical service specific column" all the year round, which became an "instruction" guidance to directly provide farmers and agro-dealers with scientific farming and fertilization.

The Group raised HSE management to the level of company's strategies, and the work of energy-saving and emission-reduction realized substantial progress with HSE management combined with enterprises' production and sustainable development. In the first half of 2013, four binding indicators declined significantly including total energy consumption, energy consumption for output value of RMB10,000, SO_2 and COD.

Outlook

In the second half of 2013 and near future, it is not easy for the global economy to realize a strong and rapid recovery, and China's economy will still experience a relatively tough period.

In the near future, global population and food consumption will keep steady growth, which will lead to continuous tight balance for the food supply and demand. Meanwhile, profound changes are taking place in the global fertilizer industry, with the monopoly structure of potash industry likely to be broken down, which will generate positive influences to China's agriculture, and China will also accelerate to promote new type of industrialization, urbanization, agricultural modernization, and informationization. As the urbanization level increasing constantly and agricultural modernization speeding up to develop, the Chinese government will provide more and more support to agriculture especially modern agriculture. Enterprises which are tackling agricultural modernization and are actively transforming will benefit from the gradual modification of agricultural operational mechanism, constantly stimulated agricultural operational vitalities and continuously promising agricultural prospect.

In the second half of 2013, the Group will continue to promote the existing development strategies especially focusing on marketing, production, and resources when faced with the severe and complex market competition. With regard to marketing, the Group has to seize the historical opportunity of the development of modern agriculture, deeply implement the vision of customer-oriented marketing, and constantly improve the performance of marketing management, channel control and customer serving. With regard to production, the Group has, based on the development vision of advanced manufacture, to consolidate its production base, lower the production costs, and improve industrial competitiveness through effective measures including the implementation of technological upgrading, adjustment and optimization of industrial structure, strengthening of internal operation and management, and cost reduction and efficiency increment. With regard to resources, the Group has to deeply analyze the latest development trend of global resource-related products, seize the opportunity associated with the sluggish macro-economy, tough market environment and structural change of the industry at present and in the near future, and acquire the important strategic resource worldwide as soon as possible, which the Group requires for its further development, thus laying a solid foundation for the long and sustainable development for the Group.

In the second half of 2013, the Group will continue to promote the existing strategies, further take full advantage of its comprehensive advantages, gradually establish the management and control mode of its own, improve its ability of sustainable development, and achieve each of its operating targets for the year of 2013 in order to create value for shareholders and contribute more to the national food security and agricultural development.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2013, the Group constantly promoted innovation and transformation, and gradually improved its business and operation modes. For the six months ended 30 June 2013, sales volume of the Group was 9.14 million tons, and turnover was RMB20.58 billion, up by 1.06% and down by 8.68% respectively compared to the corresponding period in 2012. The major reason was the price decrease in the sluggish fertilizer market in the first half of 2013.

For the six months ended 30 June 2013, gross profit of the Group was RMB1.122 billion, down by 23.62% compared to the corresponding period in 2012; profit attributable to shareholders of the Company was RMB352 million, down by 35.53% from RMB546 million for the six months ended 30 June 2012.

I. Operation Scale

1. Sales volume

For the six months ended 30 June 2013, sales volume of the Group was 9.14 million tons, up by 1.06% compared to the corresponding period in 2012 and maintained a leading status in market share. In particular, sales volume of nitrogen and feed-grade phosphate increased by 190,000 tons and 40,000 tons respectively compared to the corresponding period in 2012, while sales volume of other fertilizers kept stable with a slight decline. In the first half of 2013, sales volume of domestic fertilizer reached 6.94 million tons, up by 2.93% compared to the corresponding period in 2012, including 28.84% increase in domestic potash and 6.45% increase in domestic nitrogen, which maintained strong market competitiveness.

2. *Turnover*

For the six months ended 30 June 2013, turnover of the Group was RMB20.58 billion, down by RMB1.957 billion, or 8.68% compared to the corresponding period in 2012. The main reason for the decrease in turnover was that the market price of fertilizer slightly decreased in the first half of 2013 and the average selling price of the Group went down by 9.64% compared to the corresponding period in 2012.

The breakdown of turnover by products of the Group for the six months ended 30 June 2013 is as follows:

Table 1:

	For the six months ended 30 June			
	2013		2012	
	Turnover *RMB'000*	**Proportion to total turnover**	Turnover *RMB'000*	Proportion to total turnover
Potash Fertilizers	**4,325,097**	**21.02%**	5,354,864	23.76%
Nitrogen Fertilizers	**7,465,099**	**36.27%**	7,668,864	34.03%
Compound Fertilizers	**3,292,146**	**16.00%**	3,452,635	15.32%
Phosphate Fertilizers	**4,754,069**	**23.10%**	5,236,202	23.23%
Feed-grade Calcium	**314,735**	**1.53%**	214,717	0.95%
Others	**428,927**	**2.08%**	609,463	2.71%
Total	**20,580,073**	**100.00%**	22,536,745	100.00%

3. *Turnover and result by segment*

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

The following is the analysis of the Group's turnover and profit by operating segment for the six months ended 30 June 2013 and the corresponding period in 2012:

Table 2:

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

	For the six months ended 30 June 2012			
	Marketing	Production	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Turnover				
External sales	19,241,347	3,295,398	–	22,536,745
Internal revenue	289,383	1,425,047	(1,714,430)	–
Segment revenue	19,530,730	4,720,445	(1,714,430)	22,536,745
Segment gross profit	871,235	597,817	–	1,469,052
Segment profit	409,293	303,892	–	713,185

Segment profit represents the profit earned by each segment without unallocated expenses/income, and before the share of results of joint ventures and associates or finance costs. It is the measure reported to the chief operating decision maker for the purpose of resources allocation and assessment of segment performance.

The Group's segment results for the six months ended 30 June 2013 decreased by RMB312 million, or 43.76% compared to the corresponding period in 2012, as a result of the decreasing fertilizer prices in the sluggish market in China.

II. Profit

1. Gross profit

For the six months ended 30 June 2013, gross profit of the Group was RMB1.122 billion, down by RMB347 million or 23.62% compared to the corresponding period in 2012, mainly as a result of the decline in fertilizer prices.

The gross profit margin of the Group was 5.45%, down by 1.07 percentage points compared to the corresponding period in 2012. The major reason was that the gross profit margin of nitrogen decreased by 1.91 percentage points while the gross profit margin of other fertilizers recognized a slight decrease when the market price continued to drop.

2. Share of results of joint ventures and associates

Share of results of joint ventures: For the six months ended 30 June 2013, share of results of joint ventures of the Group were RMB9 million, down by RMB32 million or 78.05% from RMB41 million in the corresponding period in 2012. The major reason was due to the acceleration of the decline in the upstream phosphorous chemical market since the second quarter of 2013, profits of the Group's joint ventures such as Yunnan Three-Circle Sinochem Fertilizer Co., Ltd. ("Yunnan Three-Circle"), and Yunnan Three Circle-Sinochem-Mosaic Fertilizer Co. Ltd., went down in different degrees.

Share of results of associates: For the six months ended 30 June 2013, share of results of associates of the Group amounted to RMB84 million, down by RMB36 million or 30.00% over that of RMB120 million in the corresponding period in 2012. With the decrease of potash selling prices, the profit from potash sales in Qinghai Salt Lake Industry Co., Ltd. ("Salt Lake Industry"), the associate of the Group, declined compared to the corresponding period in 2012. In addition, the phase I of comprehensively utilized chemicals project of Salt Lake Industry was still in pilot production phase; accordingly economies of scale could not be realized yet, which led to more costs than revenues and less profit compared with last year.

3. Income tax expenses

For the six months ended 30 June 2013, income tax expenses for the Group were RMB81 million, down by RMB15 million over the corresponding period of 2012. This was mainly attributable to the decrease of taxable profits of various companies as a result of the weak fertilizer market.

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

4. *Profit attributable to shareholders and net profit margin*

For the six months ended 30 June 2013, profit attributable to shareholders of the Company was RMB352 million, down by RMB194 million compared to the corresponding period in 2012.

For the six months ended 30 June 2013, net profit margin of the Group, calculated by dividing profit attributable to shareholders of the Company by turnover, was 1.71%.

III. Expenditures

For the six months ended 30 June 2013, total expenses were RMB793 million, down by RMB86 million or 9.78% over that of RMB879 million in the corresponding period in 2012. The expenditure details are as below:

Selling and distribution expenses: For the six months ended 30 June 2013, selling and distribution expenses were RMB388 million, up by RMB14 million or 3.74% over that of RMB374 million in the corresponding period in 2012. This was mainly due to the increase in the cost of sales and distribution resulted from the rising railway transportation expenses.

Administrative expenses: For the six months ended 30 June 2013, administrative expenses were RMB281 million, down by RMB10 million or 3.44% over that of RMB291 million in the corresponding period in 2012. The reason for the decrease in administrative expenses in the first half of 2013 was mainly that the Group put forward the operating principle of Cost Reduction and Efficiency Improvement in order to cope with the changes in market environment resulted from the downturn of the fertilizer market in the first half of 2013.

Finance costs: For the six months ended 30 June 2013, finance costs were RMB124 million, down by RMB90 million or 42.06% over that of RMB214 million in the corresponding period in 2012. The reasons were mainly as follows: firstly, the decrease in average loan led to reduction in finance costs by RMB50 million; secondly, the decrease of overall capital cost resulted in decrease of finance costs by RMB40 million compared to the corresponding period in 2012.

IV. Other Income and Gains

For the six months ended 30 June 2013, the Group's other income and gains amounted to RMB116 million, up by RMB46 million or 65.71% over that of RMB70 million in the corresponding period in 2012. The main reasons was that in the first half of 2013, Sinochem Fertilizer Co., Ltd., a subsidiary of the Group, gained RMB31 million from its entrusted loan to Yangmei Pingyuan Chemical Co., Ltd. ("Yangmei Pingyuan") based on a loan rate of 5.6%.

V. Other Expenses and Losses

For the six months ended 30 June 2013, the Group's other expenses and losses amounted to RMB112 million, down by RMB32 million, or 22.22% over that of RMB144 million in the corresponding period in 2012. Other expenses and losses in the reporting period mainly included RMB107 million of inventory provision.

VI. Inventory Turnover

The inventory balance of the Group as at 30 June 2013 was RMB5.079 billion, down by RMB297 million, or 5.52% over that of RMB5.376 billion as at 31 December 2012. Inventory turnover days *(note)* decreased from 60 days in 2012 to 48 days for the first half of 2013 as the Group accelerated the inventory turnover and lowered the inventory risk by continuously adhering to its operational strategy of "quick-buy-and-quick-sell".

Note: Inventory turnover days for the six months ended 30 June 2013 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 2012 was calculated on the basis of average inventory balance as at the beginning and the end of the year ended 31 December 2012 divided by cost of goods sold in 2012, and multiplied by 360 days.

VII. Trade and Bills Receivables Turnover

The balance of the Group's trade and bills receivables as at 30 June 2013 was RMB1.244 billion, up by RMB85 million or 7.33% over that of RMB1.159 billion as at 31 December 2012. With the influence of macroeconomic environment in the first half of 2013, the Group granted trade credits to long term cooperative partners with good reputation in this period, which eventually led to an increase in the balance of trade and bills receivables as at 30 June 2013 over that as at 31 December 2012.

The Group strengthened the management of receivables. As a result, trade and bills receivables turnover days *(note)* were shortened to 11 days for the first half of 2013 from 12 days for the year 2012.

Note: Turnover days for the first half of 2013 was calculated on the basis of the average trade and bills receivables balance excluding bills discounted to banks as at the beginning and the end of the reporting period divided by turnover for the reporting period, and multiplied by 180 days.

Turnover days for 2012 was calculated on the basis of average trade and bills receivables balance excluding bills discounted to banks as at the beginning and the end of the year ended 31 December 2012 divided by turnover in 2012, and multiplied by 360 days.

VIII. Interests in Joint Ventures

The balance of the Group's interests in joint ventures as at 30 June 2013 was RMB590 million, up by RMB4 million or 0.68%, over that of RMB586 million as at 31 December 2012. The increase was attributable to the shares of joint ventures' results according to the shareholding held by the Group in the first half of 2013.

IX. Interests in Associates

The balance of the Group's interests in associates as at 30 June 2013 was RMB8.261 billion, up by RMB83 million or 1.01% over that of RMB8.178 billion as at 31 December 2012. The increase was attributable to the share of results of associates according to the shareholding held by the Group in the first half of 2013. Among these, the share of profit attributable to Salt Lake Industry were RMB53 million, Yangmei Pingyuan and Guizhou Xinxin Industrial and Agricultural Trading Co., Ltd. were RMB21 million and RMB9 million respectively for the current period.

X. Available-for-sale Investments

The balance of the Group's available-for-sale investments as at 30 June 2013 was RMB380 million, up by RMB8 million or 2.15% over that of RMB372 million as at 31 December 2012. As at 30 June 2013, the Group revalued the investment in shares held in China XLX Fertiliser Limited based on its fair value and the number of shares held, recognized a RMB8 million increase in value.

XI. Long and Short-Term Borrowings

As at 30 June 2013, the balance of the Group's long-term and short-term borrowings was RMB3.328 billion, down by RMB1.135 billion or 25.43% over that of RMB4.463 billion as at 31 December 2012. The reason was mainly that in the reporting period, the Group repaid part of the borrowings with relatively high loan rate and thus reduced the size of borrowings.

XII. Short-term Commercial Paper

The Group issued RMB1 billion one-year commercial paper on 25 April 2013, which bears an fixed interest rate of 4.08% per annum and interest is paid annually.

XIII. Trade and Bills Payables

As at 30 June 2013, the balance of the Group's trade and bills payables was RMB4.291 billion, up by RMB726 million or 20.36% over that of RMB3.565 billion as at 31 December 2012. Since the suppliers provided 90 days of credit provided by suppliers in the reporting period, therefore corresponding increases in the balance of trade and bills payables.

XIV. Other Financial Indicators

Basic earnings per share for the six months ended 30 June 2013 was RMB0.0501, down by RMB0.0276 over that of RMB0.0777 in the corresponding period in 2012. Return on equity (ROE) for the six months ended 30 June 2013 was 2.52%, down by 1.52 percentage points over that of 4.04% in the corresponding period in 2012.

Table 3:

	For the six months ended 30 June	
	2013	2012
Profitability		
Earnings per share *(RMB) (Note a)*	**0.0501**	0.0777
ROE *(Note b)*	**2.52%**	4.04%

Notes:

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

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

As at 30 June 2013, the Group's current ratio was 1.25, and the debt-to-equity ratio was 30.21%, representing a stable financial structure.

Table 4:

	As at 30 June 2013	As at 31 December 2012
Solvency		
Current ratio *(Note a)*	**1.25**	1.26
Debt-to-Equity ratio *(Note b)*	**30.21%**	31.10%

Notes:

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

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

XV. Liquidity and Financial Resources

The Group's principal sources of financing included cash from operation, bank borrowings and proceeds from the issue of new shares and loan notes. 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 2013, cash and cash equivalents of the Group amounted to RMB316 million, which were denominated mainly in Renminbi and US dollars.

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

Table 5:

	As at 30 June 2013 *RMB'000*	As at 31 December 2012 *RMB'000*
Secured	**–**	69,998
Unsecured	**842,768**	1,909,026
Bonds		
Principal	**2,500,000**	2,500,000
Less: amortized trading cost	**(15,040)**	(16,215)
Total	**3,327,728**	4,462,809

Table 6:

	As at 30 June 2013 *RMB'000*	As at 31 December 2012 *RMB'000*
Within one year	**842,768**	1,577,724
More than one year, but not exceeding five years	**–**	401,300
More than five years	**2,484,960**	2,483,785
Total	**3,327,728**	4,462,809

Table 7:

	As at 30 June 2013 *RMB'000*	As at 31 December 2012 *RMB'000*
Fixed interest rate	**2,673,210**	3,358,032
Floating interest rate	**654,518**	1,104,777
Total	**3,327,728**	4,462,809

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

As at 30 June 2013, the Group had banking facilities of RMB31.5 billion, including USD2.005 billion and RMB19.1 billion. The amount of utilized banking facilities consisted of USD402 million and RMB741 million, while that of unutilized banking facilities consisted of USD1.603 billion and RMB18.359 billion.

XVI. Operational and Financial Risks

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

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

Market risk

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

Most of the Group's assets, liabilities and transactions are determined in Renminbi, US dollars and Hong Kong dollars. As the amount of the Group's foreign currency dominated assets and liabilities were immaterial, the fluctuations of exchange rates did not have a significant impact on the performance of the Group. The Group managed its currency risk by closely monitoring the movement of foreign currency rates to consider whether hedging should be taken to avoid the risk. And as for interest rate risk, since domestic economic conditions are complicated and fast-changing, it is frequent for China to change the policy of direct interest rate and reserves against deposit ratio, under which the borrowings with floating interest rates of the Group are faced with the risk of interest rate of cash flows. Currently, the Group is slightly affected by interest rate risk since its exterior borrowings amount is relatively small.

Credit risk

The Group's greatest credit risk is that of the counterparties failing to perform their obligations in relation to each class of recognized financial assets, which have been confirmed and recorded in the condensed consolidated statement of financial position as at 30 June 2013. The Group has adequate monitoring procedures in respect of granting credit line, credit approval and other related aspects so as to greatly reduce credit risk by ensuring timely follow-up overdue debt.

Liquidity risk

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

XVII. Contingent Liabilities

As at 30 June 2013, the Group had no material contingent liabilities.

XVIII. Capital Commitment

Table 8:

	As at 30 June 2013	As at 31 December 2012
	RMB'000	*RMB'000*
Capital expenditure in respect of acquisition project, property, plant and equipment		
Contracted but not provided for	**82,681**	150,996
Authorized but not contracted for	**1,687,875**	1,801,626
Total	**1,770,556**	1,952,622

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

XIX. Major Investments

For the six months ended 30 June 2013, the Group did not have material investments.

XX. Remuneration Policy

The key components of the Group's remuneration package include basic salary, and if applicable, other allowances, incentive bonus, mandatory provident funds, state-managed retirement benefits scheme and share options granted under the share option schemes of the Company. The objective of the Group is to associate the interests of key employees with the performance of the Group and the interests of shareholders, as well as achieving a balance of short-term and long-term benefits through a reasonable system. Meanwhile, the Group also aims at maintaining the competitiveness of the overall remuneration. The level of cash remuneration to employees offered by the Group varies with importance of duties. The higher the importance of duties, the higher will be the proportion of incentive bonus to total remuneration. This can ensure that the Group can recruit, retain and motivate high-caliber 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 based on the results of the Group and if applicable, share options granted under the share option schemes of the Company. The Remuneration Committee performs regular review on the emoluments of the directors. No director, or any of his associates and executives, is involved in deciding his/her own emolument.

The Group reviews its remuneration policy annually and, if necessary engages professional consultant, to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 30 June 2013, the Group had about 7,954 full-time employees (including those employed by subsidiaries), and their remuneration is determined with reference to market rates. No individual employee shall have the right to determine his/her own remuneration.

In addition to the basic remuneration, the Group also value the importance of training and development of employees. For the six months ended 30 June 2013, the Group provided 4,298 hours of training in aggregate for about 1,217 person-times (trainings held by subsidiaries excluded). The training courses covered areas such as industry development, leadership improvement, marketing management, operation and management, laws and regulations, lean management, project management, finance, logistics, human resources management, information technology, safety production and general working skills. These training further improved the management skills and professional standard of the management of the Group and enhanced the overall quality of the employees to meet the requirements of the Group's rapid developments, and further improved the competitiveness of the Group.

The board of directors (the "Board") of 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 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Turnover	*3*	**20,580,073**	22,536,745
Cost of sales		**(19,458,051)**	(21,067,693)
Gross profit		**1,122,022**	1,469,052
Other income and gains		**116,099**	70,093
Selling and distribution expenses		**(388,351)**	(374,180)
Administrative expenses		**(281,474)**	(291,423)
Other expenses and losses		**(111,557)**	(144,071)
Share of results of associates		**84,303**	119,971
Share of results of joint ventures		**8,973**	40,941
Finance costs	*4(a)*	**(123,850)**	(214,075)
Profit before taxation		**426,165**	676,308
Income tax expenses	*5*	**(81,487)**	(96,277)
Profit for the period		**344,678**	580,031
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**(54,945)**	16,237
Changes in fair value of available-for-sale investments		**8,901**	(2,166)
Other comprehensive income for the period, net of tax		**(46,044)**	14,071
Total comprehensive income for the period		**298,634**	594,102

	Note	Six months ended 30 June **2013** ***RMB'000***	 2012 *RMB'000*
Profit for the period attributable to			
– Owners of the Company		**352,260**	545,700
– Non-controlling interests		**(7,582)**	34,331
		344,678	580,031
Total comprehensive income attributable to			
– Owners of the Company		**306,216**	559,771
– Non-controlling interests		**(7,582)**	34,331
		298,634	594,102
Earnings per share	*7*		
Basic *(RMB)*		**0.0501**	0.0777
Diluted *(RMB)*		**0.0501**	0.0777

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Non-current assets			
Fixed assets			
– Property, plant and equipment		**3,136,558**	3,162,737
– Investment properties		**14,600**	14,600
		3,151,158	3,177,337
Prepaid lease payments		**514,273**	520,229
Mining rights		**716,580**	734,458
Goodwill		**815,064**	820,162
Other long-term assets		**9,910**	11,299
Interests in associates		**8,261,149**	8,177,561
Interests in joint ventures		**590,010**	586,429
Available-for-sale investments		**379,562**	372,051
Advance payments for acquisition of property, plant and equipment		**134,614**	23,725
Deferred tax assets		**604,922**	674,865
		15,177,242	15,098,116
Current assets			
Inventories		**5,079,318**	5,375,898
Trade and bills receivables	*8*	**1,244,280**	1,158,659
Other receivables and advance payments		**1,106,142**	2,274,986
Loans to an associate		**900,997**	1,297,284
Prepaid lease payments		**11,977**	11,977
Other deposits	*9*	**1,603,790**	858,200
Pledged bank deposits		**–**	2
Bank balances and cash		**316,294**	334,682
		10,262,798	11,311,688
Current liabilities			
Trade and bills payables	*10*	**4,291,359**	3,564,875
Other payables and receipt in advance		**2,032,920**	3,784,384
Interest-bearing borrowings – due within one year		**842,768**	1,577,724
Short-term commercial paper	*11*	**1,000,000**	–
Tax liabilities		**26,742**	24,839
		8,193,789	8,951,822
Net current assets		**2,069,009**	2,359,866
Total assets less current liabilities		**17,246,251**	17,457,982

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Non-current liabilities			
Interest-bearing borrowings – due after one year		**2,484,960**	2,885,085
Deferred income		**133,021**	140,391
Deferred tax liabilities		**265,600**	271,945
Other long-term liabilities		**37,928**	37,928
		2,921,509	3,335,349
NET ASSETS		**14,324,742**	14,122,633
CAPITAL AND RESERVES			
Issued equity		**8,267,384**	8,267,384
Reserves		**5,714,674**	5,534,383
Total equity attributable to owners of the Company		**13,982,058**	13,801,767
Non-controlling interests		**342,684**	320,866
TOTAL EQUITY		**14,324,742**	14,122,633

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").

2. Principal Accounting Policies

The condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out below.

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

- Amendments to HKAS 1, *Presentation of financial statements – presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 11, *Joint arrangements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- *Annual Improvements to HKFRSs 2009-2011 Cycle*

Amendments to HKAS 1, Presentation of financial statements – presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 11, Joint arrangements

HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognized on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangement are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investments from jointly controlled entities to joint ventures. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker ("CODM") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets in note 3.

Besides the above new HKFRSs and amendments to HKFRSs that are first effective for current accounting period, the Group has not applied any new standard or interpretation that is not yet effective.

3 Segment Reporting

The Group's operating segments based on information reported to the CODM for the purpose of resource allocation and performance assessment are as follows:

- Marketing: sourcing and distribution of fertilizers and agricultural related products
- Production: production and sales of fertilizers

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

For the six months ended 30 June 2013	Marketing *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue				
External revenue	**18,261,485**	**2,318,588**	**–**	**20,580,073**
Internal revenue	**166,553**	**757,125**	**(923,678)**	**–**
Segment revenue	**18,428,038**	**3,075,713**	**(923,678)**	**20,580,073**
Segment gross profit	**725,604**	**396,418**	**–**	**1,122,022**
Segment profit	**298,428**	**102,803**	**–**	**401,231**
Share of results of associates	**(122)**	**84,425**	**–**	**84,303**
Share of results of joint ventures	**11**	**8,962**	**–**	**8,973**
Unallocated expenses				**(39,322)**
Unallocated income				**94,830**
Finance costs				**(123,850)**
Profit before taxation				**426,165**
As at 30 June 2013				
Segment Assets	**6,303,263**	**6,857,248**	**–**	**13,160,511**

For the six months ended 30 June 2012	Marketing *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue				
External revenue	19,241,347	3,295,398	–	22,536,745
Internal revenue	289,383	1,425,047	(1,714,430)	–
Segment revenue	19,530,730	4,720,445	(1,714,430)	22,536,745
Segment gross profit	871,235	597,817	–	1,469,052
Segment profit	409,293	303,892	–	713,185
Share of results of associates	–	119,971	–	119,971
Share of results of joint ventures	–	40,941	–	40,941
Unallocated expenses				(32,034)
Unallocated income				48,320
Finance costs				(214,075)
Profit before taxation				676,308
As at 31 December 2012				
Segment Assets	7,314,073	7,597,626	–	14,911,699

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

4. Profit before Taxation

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

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
(a) Finance costs		
Interests on borrowings		
– wholly repayable within five years	**60,175**	150,152
– not wholly repayable within five years	**63,675**	64,252
Less: interest expense capitalized	**–**	(329)
	123,850	214,075

No capitalized interest expense occurred during the period of six months ended 30 June 2013. The borrowing cost capitalization rate during the period of six months ended 30 June 2012 was 6.05%.

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
(b) Other items		
Depreciation of property, plant and equipment	**145,239**	211,648
Amortization of prepaid lease payments	**5,956**	17,000
Amortization of mining rights	**16,438**	7,630
Amortization of other long-term assets	**4,078**	11,049
Write-down of inventories	**106,685**	111,612
Deferred income released	**(4,050)**	(5,282)
Reversal of allowance provided for receivables	**(20)**	(20)
Loss on disposal of property, plant and equipment	**4**	441

5. Income Tax Expenses

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Current tax – Hong Kong Profits Tax	**–**	1,651
Current tax – PRC Enterprise Income Tax	**17,889**	25,563
Deferred taxation	**63,598**	69,063
	81,487	96,277

(i) The provision for Hong Kong Profits Tax is calculated by applying the estimated effective tax rate of 16.5% (2012: 16.5%) to the six months ended 30 June 2013.

(ii) The provision for the PRC Enterprise Income Tax is based on the statutory rate of 25% (2012: 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 2013, except for certain subsidiaries of the Company which enjoy a preferential tax rate according to related tax policies.

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

6 Dividends

The Board of Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (the corresponding period in 2012: nil).

During the six months ended 30 June 2013, the final dividend for the year ended 31 December 2012 of approximately RMB131,045,000 (the corresponding period in 2012: approximately RMB94,801,000) at HK$0.0232 (approximately RMB0.0187) (the corresponding period in 2012: HK$0.0166 (approximately RMB0.0135)) per share has been paid.

7 Earnings Per Share

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

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**352,260**	545,700
Number of shares	***'000 shares***	*'000 shares*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,024,456**	7,024,351
Effect of dilutive potential ordinary shares from:		
– Share options	**–**	36
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**7,024,456**	7,024,387

8 Trade and Bills Receivables

	At 30 June 2013	At 31 December 2012
	RMB'000	*RMB'000*
Trade receivables	**562,899**	492,982
Bills receivables	**681,381**	665,677
	1,244,280	1,158,659

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

	At 30 June 2013	At 31 December 2012
	RMB'000	*RMB'000*
Within 3 months	**574,019**	989,123
Over 3 months but within 6 months	**632,085**	161,463
Over 6 months but within 12 months	**30,547**	4,121
Over 12 months	**7,629**	3,952
Trade and bills receivables, net of allowance for doubtful debts	**1,244,280**	1,158,659

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

Included in the Group's trade receivables are debtors with aggregate carrying amount of RMB13,620,000 (as at 31 December 2012: RMB11,629,000) which are past due at the end of the reporting period for which the Group has not provided for allowance for doubtful debts as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

9 Other Deposits

Other deposits represent principal-protected financial products issued by financial institutions in the PRC, which carried at fixed interest rates from 4% to 9% per annum. Among other deposits as at 30 June 2013, balances of approximately RMB1,552,990,000 (as at 31 December 2012: approximately RMB700,100,000) can only be withdrawn until maturity. The directors of the Company consider the other deposits as a current asset since the maturity dates are all within one year at the end of the reporting period.

10 Trade and Bills Payables

	At 30 June 2013 *RMB'000*	At 31 December 2012 *RMB'000*
Trade payables	**3,790,418**	3,322,420
Bills payables	**500,941**	242,455
	4,291,359	3,564,875

As at 30 June 2013 and 31 December 2012, all trade and bills payables of the Group are repayable on demand except for bills payable which are repayable within six months. All trade and bills payable are expected to be settled within one year.

11 Short-term Commercial Paper

One of the Group's subsidiaries issued a one-year commercial paper of RMB1 billion to corporate investors in the PRC debenture market on 25 April 2013. This bond bears fixed interest rate of 4.08% per annum and interests are paid annually. Interest payable for the current period was included in other payables.

INTERIM DIVIDEND

The Board did not recommend the declaration of interim dividend for the six months ended 30 June 2013.

AUDIT COMMITTEE

The Audit Committee has reviewed with management and the external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the condensed consolidated financial statements of the Company for the six months ended 30 June 2013.

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 2013.

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") 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 2013.

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

CORPORATE GOVERNANCE STANDARDS

Recognizing the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, the Company is committed to maintaining a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practice on corporate governance. The Company has complied with the applicable code provisions in the Corporate Governance Code and Corporate Governance Report (referred to "Corporate Governance Code" hereunder) set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2013 and up to the date of this announcement, except for the deviations from the code provisions A.1.7, A.6.7 and E.1.2 as described below.

The code provision A.1.7 stipulates that, a board meeting should be held 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. In addition, independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting. During the six months ended 30 June 2013 and up to the date of this announcement, the Board approved several connected transactions by circulation of written resolutions in lieu of physical board meeting, for which certain directors who are nominated by the ultimate controlling or substantial 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 resolutions in lieu of physical board meetings allows the Board to make a decision relatively quicker in response to the rapid change in the fertilizer markets. Before formal execution of the written resolutions, the directors had discussed the matters via emails and made amendments to the transactions as appropriate.

The code provision A.6.7 stipulates that, among others, the non-executive directors should attend general meetings of the listed issuer. Mr. Liu De Shu, Mr. Yang Lin, Dr. Stephen Francis Dowdle and Ms. Xiang Dandan, the non-executive directors of the Company, were unable to attend the annual general meeting of the Company held on 13 June 2013 ("2013 AGM") due to other essential business engagements.

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 2013 AGM, Mr. Liu De Shu, Chairman of the Board, did not chair the meeting due to other essential business engagements. In order to ensure smooth holding of the 2013 AGM, the Chairman of the Board authorized and the directors attended the meeting elected Mr. Feng Zhi Bin, the executive director and Chief Executive Officer of the Company, to chair the meeting on behalf of the Chairman of the Board. Respective chairmen of the audit, remuneration and nomination committees of the Company were present at the 2013 AGM and were available to answer relevant questions, which was in compliance with other part of code provision E.1.2.

On 13 December 2012, the Stock Exchange published the consultation conclusions on board diversity, which states that a new code provision on board diversity will be included in the Corporate Governance Code and become effective from 1 September 2013. In order to promote the Company's continued commitment to high standards of corporate governance, the Nomination Committee of the Company reviewed and the Board approved the adoption of a Board Diversity Policy of the Company in March 2013.

Save as disclosed above, please refer to the "Corporate Governance Report" contained in the Company's 2012 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. Feng Zhi Bin (Chief Executive Officer) and Mr. Harry Yang; the non-executive directors of the Company are Mr. Liu De Shu (Chairman), Mr. Yang Lin, Dr. Stephen Francis Dowdle and Ms. Xiang Dandan; and the independent non-executive directors of the Company are Mr. Ko Ming Tung, Edward, Dr. Tang Tin Sek and Mr. Tse Hau Yin, Aloysius.

For and on behalf of the Board
SINOFERT HOLDINGS LIMITED
Feng Zhi Bin
Executive Director and Chief Executive Officer

Hong Kong, 22 August 2013

* *For identification purposes only*