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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 2016

FINANCIAL HIGHLIGHTS

- The Group's revenue was RMB8,909 million for the current period, down by 46.66% year on year
- Loss attributable to owners of the Company for the current period was RMB432 million (the corresponding period in 2015: profit attributable to owners of the Company was RMB342 million)
- Basic loss per share for the current period was RMB0.0615 (the corresponding period in 2015: basic earnings per share was RMB0.0487)
- The Board did not recommend the declaration of interim dividend for the six months ended 30 June 2016

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 2016.

In the first half of 2016, the fertilizer industry was under heavy pressure to resolve overcapacity and to overcome the challenge of falling domestic demand amidst the general slowdown in macro-economic growth. This year the usual effect of the spring peak season for fertilizer consumption did not materialize as expected, while the resumption of the value-added tax on fertilizer products weakened the overall profitability of the fertilizer industry. The Group’s fertilizer operations were dealt a heavy blow from such changes in the industry, and its performance as a whole took a big downturn. For the six months ended 30 June 2016, the Group suffered a loss attributable to owners of the Company of RMB432 million. To turn the situation around and regain profitability, the management has made and put into place a counter-measure action plan. The Board is confident that the Group will continue to consolidate its business footing and be able to achieve long-term sustainable growth.

It’s foreseeable that the macro-economic environment will remain severe and the situation of overcapacity of the fertilizer industry will hardly improve during the second half of 2016. Against this background, the Chinese economy has been in the process of further transforming and upgrading its growth modes and fostering new growth dynamics. A series of supply-side structural reforms, including cutting overcapacity, destocking, deleveraging, reducing cost and identifying growth areas, have been implemented by the Chinese government, and this will provide the Company with new growth potentials and historic opportunities.

Facing a grim market outlook and many unprecedented challenges, we will deepen our reforms and innovations and beef up our core competitiveness and specialized operating capabilities. We will adopt effective counter-measures to tackle the key problems and challenges, uplift our internal operational efficiency and fully implement the program of improving both quality and performance. Our commitment to striving for better business results and creating higher returns for the shareholders is unswerving.

Last but not the least, on behalf of the Board, I would like to take this opportunity to extend our heartfelt appreciations to all the shareholders and customers of the Group. We hope to have your continuous attention and support in our future development. The Company’s management and employees will bear in mind the concept of “creating value and pursuing excellence”, make special efforts, and strive to make greater contributions to the development of the Group.

Ning Gao Ning
Chairman of the Board

Hong Kong, 25 August 2016

MANAGEMENT REVIEW AND PROSPECT

Business Environment

In the first half of 2016, the global macro economic environment continued to deteriorate, major economies underperformed, the economic growth rate stagnated, risk factors kept gathering and the prospect of global economic recovery was still uncertain. The growth rate of the Chinese economy slowed down. Currently the Chinese government is vigorously promoting the supply-side structural reform, the Chinese economy is moving to a higher gear, the growth momentum is changing, the macro environment is complex and severe, and the economic downward pressure is still huge. Domestic enterprises are generally faced with challenges including excessive production capacity, weak market demand and increasing risks.

In the first half of 2016, the prices of corn and wheat in major grain producing areas in China suffered from different degrees of decline, of which the plunge in corn was more obvious – an average decline of above 20% and up to 30% compared to the same period of 2015, and wheat also witnessed a cliff-like drop. Although the purchasing price of rice was stable in general, there was some decrease in certain regions. It's really rare to see a fall in the prices of all the three staple foods in China, and the hundreds of billions RMB negative growth in revenue has made an impact on the consumption market and the growth of GDP. With the surge of import and inventory of the three staple foods, the plunge in grain prices and the sharp drop of the farmers' income, the upstream agricultural inputs industry represented by fertilizer was also consequently affected. Enterprises are facing intensified competition due to the impact from declining real economy and excessive production capacity, the fertilizer industry entered the crucial moment of eliminating excessive capacity, and the elimination process might speed up. Meanwhile, due to the cancellation of preferential policies and the resumption of value-added tax on fertilizer products, the supply and demand disparity is still prominent and the operating pressure of domestic enterprises is constantly growing under the policy of zero-growth in fertilizer consumption and increasing pressure from environmental protection regulations.

Faced with a prolonged weak macro economy and a tough market environment, under the leadership of the Board, the Group adhered to the established orientation for strategic transformation, accelerated the transformation and upgrading and was devoted to becoming an agricultural service enterprise which provides high-quality fertilizer products and crop nutrition solutions with the general philosophy of “taking root in the transformation and upgrading of modern agriculture”.

Financial Highlights

For the six months ended 30 June 2016, the Group's revenue amounted to RMB8,909 million, down by 46.66% over the corresponding period of 2015; and loss attributable to owners of the Company amounted to RMB432 million, which was mainly attributable to the sluggish fertilizer market, falling fertilizer prices and the resumption of value-added tax on fertilizer products.

Resource Support

In the first half of 2016, 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 149,600 tons of phosphate rock. For mine construction, Sinochem Yunlong carried out the preliminary design, budget approval and tendering and procurement of the PC implementation general contract for Mozushao capacity expansion project and the prospecting work of Dawan mine was basically completed, laying a good foundation for the sustainable development of the Group’s phosphate fertilizer and phosphoric chemical industries and ensuring 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 promote the “three basics” among production subsidiaries, carrying out the trial run of new plants, launching benchmarking management of technology, eliminating key factors hindering the release of production capacity, further tapping the potential of the equipment, enhancing the process management in production, carrying out cost management and control 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 620,700 tons of phosphate, compound fertilizers and other products. Faced with a market downturn, Sinochem Fuling adjusted its product mix of phosphate and compound fertilizers, increased the production of high value-added products including DAP and fine phosphates, extended the life cycle of the phosphogypsum stack, maintained the efforts made in scientific and technological innovation and explored ways for sustainable development.

Sinochem Jilin Changshan Chemical Co., Ltd. (“Sinochem Changshan”), a subsidiary of the Group, produced 60,000 tons of urea in the first half of 2016. When the urea price continued to run at a low level, Sinochem Changshan, based on its geographical advantage, deepened the integration of production and marketing, and promoted the upgrading and transformation of the facilities. The “1830 Project” was put into pilot production and transferred from CIP to PPE.

Sinochem Yunlong produced 165,500 tons of Monocalcium/Dicalcium Phosphate (MDCP) in the first half of 2016. Sinochem Yunlong vigorously promoted its brand name recognition for its MDCP products; optimized the internal organizational structure in order to improve the operation efficiency; cooperated with research institutions, 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.

Marketing Business

Taking into consideration the characteristics of China's agriculture and through system reform and model innovation, the Group continuously consolidated the operation foundation. Sales volume for the first half of 2016 reached 5.21 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.

Potash Operations: Sales volume of potash fertilizer amounted to 1.07 million tons in the first half of 2016. Faced with a prolonged market downturn, the Group continued to improve the channel marketing of potash for agriculture, enriched the connotation of the products, constantly carried out marketing and promotion; strengthened the core customer system building for industrial potash, increased the flexibility in the operation of industrial potash and reduced the unfavourable impact from falling price. 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.

Nitrogen Operations: Sales volume of nitrogen fertilizer amounted to 1.52 million tons. Faced with a severe market environment, the Group vigorously developed a business model of commissions for agencies, continued to consolidate and step up cooperation with core suppliers and improved the guaranteed capacity of resources supply. The Group strengthened direct sales, accelerated inventory turnover, constantly increased the inputs for the marketing expenses of new products and further enlarged the scale of new products such as differentiated nitrogen fertilizers.

Phosphate Operations: Sales volume of phosphate fertilizer amounted to 1.04 million tons in the first half of 2016. By studying and estimating the severe market situation in 2016, while sticking to the traditional operational mode, the Group focused on marketing, flexibly established market policies and persisted in expanding the phosphate business.

Compound Fertilizer Operations: Sales volume of compound fertilizers amounted to 960,000 tons in the first half of 2016. The Group continued to promote the integration of compound fertilizers, established the operation and management mechanism of coordination on production and marketing and realized high-efficiency and synergetic operation between the Group's internal production subsidiaries and marketing channel outlets. The Group took agrichemical services as the starting point, cultivated the comprehensive service capabilities for the new farming entities and improved the competitiveness and the added-value of the products by building a "product plus service" operational model.

Monocalcium/Dicalcium phosphate (MDCP) Operations: Sales volume of MDCP amounted to 170,000 tons in the first half of 2016. 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"; developed tailored product portfolio based on the requirement of the customers, produced MDCP products that can meet the quality requirement in various regions both at home and abroad, and the adaptability and influence of the products was further expanded; and endeavoured to promote the integration of production and marketing and pushed forward terminal marketing while further releasing production capacity.

The Group continued to optimize the existing distribution network, relied on its high-quality customers, built and upgraded over 5,600 stores as at 30 June 2016, and consolidated the customer base; took into consideration the development trend of modern agriculture, optimized the product structure and focused on strategic products based on the characteristics of the markets; and carried out agrichemical service activities of “Sinochem Dedicating to Rural Prosperity” under the Group’s agricultural service strategy and strengthened the service capability for customers.

In addition, the Group continued to work with the Department of Crop Production, the Department of Science, Technology & Education, and the National Agricultural Technology Extension Center under the Ministry of Agriculture and sped up the supply-side reform on fertilizer by promoting the “internet plus intellectual formulation”; set up an agricultural service platform and brought forth a new service pattern; extended the fertilization technology with the integration of water and fertilizer and changed the fertilization pattern; carried out training for professional farmers and nurtured new farmers, aiming to promote scientific fertilization and zero-growth in fertilizer consumption, explore innovative business model that takes root in modern agriculture and boost the sound and sustainable development of China’s modern agriculture.

Internal Control and Management

The Group actively promoted the system building of internal control and risk management. Besides the special committees of the Board, the Group also set up nine special management committees including risk management and internal control management committee, and vigorously promoted the “risk management oriented, internal control centred” internal control and risk management system within the scope authorized by the Board.

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”) in the United States and the “Internal Control and Risk Management-A Basic Framework” issued by the Hong Kong Institute of Certified Public Accountants, and was in reference to the “Basic Rules of the Enterprise Internal Control” and its referencing guidelines issued by five ministries and commissions of China’s central government. The Group regularly conducted risk identification, assessment and response, implemented a whole-process risk alarming management mechanism and adopted corresponding measures. In the first half of 2016, taking into consideration the requirement of the Group’s development strategy of taking root in modern agriculture, the Group continued to consolidate the foundation for risk management, improve the risk control system, focus on the management and control of key operational risks and strengthened the building of grass-roots organization and basic work. In the first half of 2016, based on the quality system and potential risks assessment, the Group improved the manual for internal control, optimized key business procedures, highlighted key risk control points and effectively implemented and improved the risk control system through inspection and evaluation. 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 stable 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 2016, centering on the goal of “Zero-growth of the fertilizer and pesticide consumption by 2020”, 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 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 2016, Key Work Points 2016 for the Planting Industry of the Ministry of Agriculture highlighted that the cooperation with the Group will be stepped up and a new mechanism for the cooperation between the Ministry of Agriculture and enterprises will be explored while further implementing the campaign of Zero-growth of fertilizer consumption, which fully reflected the Group’s status and influence on the market. The Group worked with the Department of Crop Production, Ministry of Agriculture, brought into full play the experiences the Company accumulated over the years, deepened the cooperation between the Ministry of Agriculture and enterprises, promoted the new mode of scientific fertilization and created new service systems. In April 2016, together with the local agriculture committee in Anhui province, the Group built a demonstration foundation of “internet plus intellectual fertilization”, which was widely recognized by the growers and rural households at the grass-roots level. As a result, the testing, formulation, production, supply and application of fertilizer were linked, aiming at applying scientific fertilization and technology in the fields and helping with the achievement of fertilization reduction.

In order to further explore cooperation between government departments, enterprises, colleges and universities, Shiba Agricultural Service Center, built by the Group and Mingguang Municipal Soil and Fertilizer Station, held the Seminar on Cooperation between the Ministry of Agriculture and Enterprises to Promote Zero-growth of Fertilizer Consumption and 2016 On-site Meeting of Agricultural Service for “Sinochem Dedicating to Rural Prosperity”. At the ceremony, officials from the Department of Crop Production of the Ministry of Agriculture, the National Agricultural Technology Extension Center and the Group unveiled the plaque for the agricultural service center. In the first half of 2016, 5 new agricultural service centers at the grass-roots level were set up across China, integrating agricultural service, farmer cultivation, demonstration and display, intellectual formulation machine and liquid fertilizer formulation stations and thus improved its comprehensive service function.

Within the “one-package” alliance of national agricultural scientific and technological innovation led by the Ministry of Agriculture, the Group is responsible for creating the scientific and technological innovation alliance for fertilizer reduction and efficiency improvement. Under this principle, the Group will organize key enterprises in the industry and research institutes, jointly do research on the existing bottleneck problems demanding prompt solution, strengthen the cooperation between research institutes and enterprises, achieve industrial innovation and promote the transformation and upgrading of agriculture.

The Chinese government pays high attention to the development of agriculture and provides policy guarantee and resources to support the sector. Under such circumstances, the Group will continue to take root in modern agriculture, focus on the scientific and technological demand of the farmers, center on the main business and shoulder its corporate social responsibility. Under the leadership of the Chinese government, the Group will take actions regarding the reduction of fertilizer and pesticides, deepen cooperation with agricultural departments, research institutes, colleges and universities, focus on scientific fertilization, agricultural scientific and technological innovation and the cultivation of new professional farmers, pool the internal and external resources, continue to provide high-quality, professional and high-efficiency comprehensive service for Chinese farmers and make contributions to the development of the Chinese agriculture.

The Group focused on sustainable development, social responsibility and humane care for its employees; and utilized advanced technology to enhance intrinsic safety and increased investment to promote the rectification of potential safety hazards in the process of production and operation through strengthening the management and control of the HSE risks. Thanks to the joint efforts made by the HSE team, progress was achieved in environmental protection and emission reduction in the first half of 2016 and the emission of COD was down by 68.65% and NH₃-N by 68.03% compared to the first half of 2015.

Outlook

Against the background of a prolonged global economic slump, agricultural modernization will be a key link in the Chinese economy's transformation from quantitative change to qualitative change and technological progress and institutional innovation will be an important means for agricultural modernization. The Chinese government will continue with the policy of making progress while ensuring stability, deepen reform in an all-round way, and realize sustainable and steady economic and social development.

China's agricultural modernization is still at the early stage of development. With the constraint of zero-growth in fertilizer consumption, fertilizer products will center on the core demand of the farmers in terms of fertilizer application, such as being "highly efficient, low-cost and labour-saving" and become more efficient and convenient. For the next few years, the Group will be confronted with the slowdown in the economic growth rate, acceleration of excessive production capacity elimination and the overlap of downturn periods for bulk commodities. However, with crisis comes opportunity. The Group believes that it can achieve integrated operation between production and marketing, realize the optimization of internal operation efficiency, set up the agricultural service mode for new fertilizers and optimize the management mode of the supply chain. The Group will also continue to pay attention to domestic and overseas high-quality phosphate and potash resources acquisition opportunities under "The Belt and Road Initiative" of the Chinese government, build a core competitive edge, trade time for space and eventually make contributions to the great cause of the Group's agricultural sector and further create value for the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2016, sales volume of the Group was 5.21 million tons, down by 35.84%, and revenue was RMB8,909 million, down by 46.66%, compared to the corresponding period of 2015.

For the six months ended 30 June 2016, gross profit of the Group was RMB355 million, down by 66.51% compared to the corresponding period of 2015; loss attributable to owners of the Company was RMB432 million.

I. Operation Scale

1. Sales volume

For the six months ended 30 June 2016, sales volume of the Group was 5.21 million tons, down by 35.84% from 8.12 million tons compared to the corresponding period of 2015. For the first half of 2016, the fertilizer market remained weak and oversupplied, which resulted in the decline of sales volume of major fertilizers of the Group compared to the corresponding period of 2015. In terms of product mix, sales volume of potash, nitrogen, compound fertilizer and phosphate of the Group declined by 37.43%, 43.07%, 37.25% and 38.46%, respectively. Under the severe market conditions, the Group still maintained a relatively high market share through strengthening strategic partnership with core domestic and overseas suppliers and continuing to secure the supply of cost competitive products.

2. Revenue

For the six months ended 30 June 2016, the revenue of the Group was RMB8,909 million, down by RMB7,792 million, or 46.66% over the corresponding period of 2015. The decrease rate in revenue was higher than that in sales volume (35.84%), which was mainly attributable to that the Group's average selling price decreased by 16.86% year on year due to the falling prices of fertilizers and the resumption of the value-added tax on fertilizer products in 2016.

The breakdown of revenue by products of the Group for the six months ended 30 June 2016 and the corresponding period of 2015 is as follows:

Table 1:

	For the six months ended 30 June 2016		2015	
	Revenue <i>RMB'000</i>	Proportion to total revenue	Revenue <i>RMB'000</i>	Proportion to total revenue
Potash Fertilizers	2,054,835	23.07%	3,691,597	22.10%
Nitrogen Fertilizers	1,705,364	19.14%	3,870,103	23.17%
Compound Fertilizers	2,260,765	25.38%	4,060,188	24.31%
Phosphate Fertilizers	2,111,314	23.70%	4,246,751	25.43%
MDCP	436,145	4.90%	385,380	2.31%
Others	340,399	3.81%	447,173	2.68%
Total	<u>8,908,822</u>	<u>100.00%</u>	<u>16,701,192</u>	<u>100.00%</u>

3. Revenue and result by segment

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

The following is the analysis of the Group's revenue and profit by operating segment for the six months ended 30 June 2016 and the corresponding period of 2015:

Table 2:

	For the six months ended 30 June 2016			
	Marketing <i>RMB'000</i>	Production <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue				
External revenue	7,983,822	925,000	–	8,908,822
Internal revenue	451,880	1,303,685	(1,755,565)	–
Segment revenue	<u>8,435,702</u>	<u>2,228,685</u>	<u>(1,755,565)</u>	<u>8,908,822</u>
Segment gross profit	<u>256,076</u>	<u>98,823</u>	<u>–</u>	<u>354,899</u>
Segment loss	<u>(16,302)</u>	<u>(311,043)</u>	<u>–</u>	<u>(327,345)</u>

	For the six months ended 30 June 2015			
	Marketing	Production	Elimination	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue				
External revenue	15,602,458	1,098,734	–	16,701,192
Internal revenue	726,387	2,165,994	(2,892,381)	–
	<u>16,328,845</u>	<u>3,264,728</u>	<u>(2,892,381)</u>	<u>16,701,192</u>
Segment revenue	<u>16,328,845</u>	<u>3,264,728</u>	<u>(2,892,381)</u>	<u>16,701,192</u>
Segment gross profit	<u>724,448</u>	<u>335,750</u>	<u>–</u>	<u>1,060,198</u>
Segment profit	<u>459,583</u>	<u>16,464</u>	<u>–</u>	<u>476,047</u>

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

The Group's segment loss for the six months ended 30 June 2016 was RMB327 million. Among which, the segment loss of Production and Marketing was RMB311 million and RMB16 million, respectively, which was mainly due to the price drop of all fertilizers in the weak fertilizer market and the resumption of the value-added tax on fertilizer products.

II. Profit

1. *Gross profit*

For the six months ended 30 June 2016, gross profit of the Group was RMB355 million, down by RMB705 million or 66.51% compared to the corresponding period of 2015, which was mainly due to the decrease in fertilizer price.

The gross profit margin of the Group was 3.98%, down by 2.37 percentage points compared to the corresponding period of 2015. Due to the price drop of potash and the resumption of value-added tax on fertilizer products, the gross profit margin of potash fertilizers decreased by 8.82 percentage points. Besides, the gross profit margin of other products slightly decreased due to severe oversupply and falling market prices.

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

Share of results of joint ventures: For the six months ended 30 June 2016, share of results of joint ventures of the Group was a loss of RMB2 million, decreased by RMB16 million from a profit of RMB14 million for the corresponding period of 2015. 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 2016, share of results of associates of the Group amounted to RMB28 million, down by RMB1.0 million over that of RMB29 million for the corresponding period of 2015. This was mainly due to that Yangmei Pingyuan Chemical Co., Ltd. (“Yangmei Pingyuan”), one of the Group’s associates, suffered losses because of the decreasing price of nitrogen fertilizer.

3. *Income tax*

For the six months ended 30 June 2016, income tax for the Group was RMB10 million, down by RMB86 million from RMB96 million for the corresponding period of 2015. This was mainly due to the decrease in taxable profits of various subsidiaries resulted from the market downturn in the first half of 2016.

The subsidiaries of the Group were mainly registered in China mainland, Macao and Hong Kong, respectively, where profits tax rates vary. Among them, the tax rate of China mainland 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. *Loss attributable to owners of the Company and net loss margin*

For the six months ended 30 June 2016, loss attributable to owners of the Company was RMB432 million, which was mainly attributed to the sluggish fertilizer market, the falling price of fertilizers and the resumption of value-added tax on fertilizer products.

For the six months ended 30 June 2016, net loss margin of the Group, calculated by dividing loss attributable to owners of the Company by revenue, was 4.85%.

III. Expenditures

For the six months ended 30 June 2016, total expenses were RMB875 million, up by RMB143 million or 19.54% over that of RMB732 million in the corresponding period of 2015. The expenditure details are as below:

Selling and distribution expenses: For the six months ended 30 June 2016, selling and distribution expenses were RMB362 million, up by RMB9 million or 2.55% over that of RMB353 million for the corresponding period of 2015. Such an increase was mainly attributable to the fact that the Group actively took measures to deal with market fluctuations and carried out promotional activities to keep a relatively high market share, leading to the increase in business promotion expense compared to the corresponding period of 2015.

Administrative expenses: For the six months ended 30 June 2016, administrative expenses were RMB332 million, up by RMB56 million or 20.29% over that of RMB276 million for the corresponding period of 2015. This was mainly attributable to the fact that the subsidiaries of the Group went on safety improvement and maintenance, leading to the increase in administrative expenses compared to the corresponding period of 2015.

Finance costs: For the six months ended 30 June 2016, finance costs were RMB181 million, up by RMB78 million or 75.73% over that of RMB103 million for the corresponding period of 2015, which was mainly due to the increase in financing scale and financing cost.

IV. Other Income and Gains

For the six months ended 30 June 2016, the Group's other income and gains amounted to RMB123 million, down by RMB3 million or 2.38% over that of RMB126 million for the corresponding period of 2015, which was mainly due to the decrease in the Group's deposit investment scale compared to the corresponding period of 2015.

V. Other Expenses and Losses

For the six months ended 30 June 2016, the Group's other expenses and losses amounted to RMB114 million, up by RMB51 million or 80.95% over that of RMB63 million for the corresponding period of 2015, which was mainly due to the increase in the impairment loss of assets compared to the corresponding period of 2015.

VI. Inventory Turnover

The inventory balance of the Group as at 30 June 2016 was RMB4,460 million, down by RMB1,852 million or 29.34% over that of RMB6,312 million as at 31 December 2015. The Group continued to strengthen the connection between procurement and sales and downsize the inventory scale. However, the revenue in the first half of 2016 decreased from the corresponding period of 2015, and therefore the inventory turnover days^(note) increased from 90 days in 2015 to 113 days for the first half of 2016.

Note: Inventory turnover days for the six months ended 30 June 2016 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 2015 was calculated on the basis of average inventory balance as at the beginning and the end of the year ended 31 December 2015 divided by cost of goods sold in 2015, 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 2016 was RMB331 million, down by RMB17 million or 4.89% over that of RMB348 million as at 31 December 2015, which was mainly due to that the Group strictly controlled the credit scale to minimize credit risks, thus leading to the decrease in the balance of trade and bills receivables as at 30 June 2016 over that as at 31 December 2015. Trade and bills receivables turnover days^(note) of the Group decreased by 4 days from 11 days in 2015 to 7 days for the first half of 2016.

Note: Turnover days for the first half of 2016 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 (The above trade and bills receivables balance excluded the bills discounted to the banks).

Turnover days for 2015 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 2015 divided by revenue in 2015, and multiplied by 360 days (The above trade and bills receivables balance excluded the bills discounted to the banks).

VIII. Interests in Joint Ventures

The balance of the Group's interests in joint ventures as at 30 June 2016 was RMB576 million, down by RMB5 million or 0.86% over that of RMB581 million as at 31 December 2015, which was mainly due to that the share of results of joint ventures from Three Circles-Sinochem suffered a loss in the sluggish market.

IX. Interests in Associates

The balance of the Group's interests in associates as at 30 June 2016 was RMB11,525 million, down by RMB49 million or 0.42% over that of RMB11,574 million as at 31 December 2015. Among them, the share of results of Yangmei Pingyuan was RMB11 million and the share of results of Qinghai Salt Lake Industry Co., Ltd. ("Qinghai Salt Lake") was RMB37 million. The recoverable amount of the interest in Qinghai Salt Lake was estimated with reference to the investment's value-in-use. In recent years, the potash business of Qinghai Salt Lake maintained a stable profitability, but after the chemicals projects were completed and put into pilot operation, uncertainties were brought about to the future performance of Qinghai Salt Lake. And therefore, the value-in-use of Qinghai Salt Lake is lower than its carrying amount, an impairment loss amounting to RMB60 million was recognized by the Group at 30 June 2016.

X. Available-for-sale Investments

The balance of the Group's available-for-sale investments as at 30 June 2016 was RMB498 million, down by RMB21 million or 4.05% over that of RMB519 million as at 31 December 2015. As at 30 June 2016, 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 Borrowings

As at 30 June 2016, the balance of the Group's interest-bearing borrowings was RMB6,481 million, up by RMB207 million or 3.30% over that of RMB6,274 million as at 31 December 2015, 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 2016, the balance of the Group's trade and bills payables was RMB4,449 million, down by RMB1,548 million or 25.81% over that of RMB5,997 million as at 31 December 2015, 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 loss per share for the six months ended 30 June 2016 was RMB0.0615. Return on equity (ROE) for the six months ended 30 June 2016 was minus 3.44%, which was mainly attributable to losses of the Group resulted from the fertilizer market conditions.

Table 3:

	For the six months ended 30 June	
	2016	2015
Profitability		
(Loss)/Earnings per share (RMB) <i>(Note a)</i>	(0.0615)	0.0487
ROE <i>(Note b)</i>	(3.44%)	2.50%

Notes:

- Calculated on the basis of (loss)/profit attributable to the owners of the Company for the reporting period divided by weighted average number of shares for the reporting period.
- Calculated on the basis of (loss)/profit attributable to the owners 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 2016, the Group's current ratio was 0.69, and the debt-to-equity ratio was 51.74%, representing a stable financial structure.

Table 4:

	As at 30 June 2016	As at 31 December 2015
Solvency		
Current ratio <i>(Note a)</i>	0.69	0.79
Debt-to-Equity ratio <i>(Note b)</i>	51.74%	47.98%

Notes:

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

XIV. Liquidity and Financial Resources

The Group's principal sources of financing 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 2016, cash and cash equivalents of the Group amounted to RMB192 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 2016 <i>RMB'000</i>	As at 31 December 2015 <i>RMB'000</i>
Bank loans, unsecured	–	673,430
Short-term commercial paper	2,000,000	2,000,000
Borrowings from Sinochem Group	1,299,445	200,000
Borrowings from Sinochem Finance Co., Ltd.	690,000	60,000
Borrowings from Sinochem Hong Kong (Group) Co., Ltd.	–	850,000
Bonds		
Principal amount	2,500,000	2,500,000
Less: unamortized transaction costs	(7,990)	(9,165)
	<u>6,481,455</u>	<u>6,274,265</u>
Total	<u>6,481,455</u>	<u>6,274,265</u>

Table 6:

	As at 30 June 2016 <i>RMB'000</i>	As at 31 December 2015 <i>RMB'000</i>
Within 1 year	3,989,445	3,583,430
Over 1 year, but within 5 years	2,492,010	2,690,835
	<u>6,481,455</u>	<u>6,274,265</u>
Total	<u>6,481,455</u>	<u>6,274,265</u>

Table 7:

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Fixed interest rate	6,481,455	5,924,265
Floating interest rate	–	350,000
	<hr/>	<hr/>
Total	<u>6,481,455</u>	<u>6,274,265</u>

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

As at 30 June 2016, the Group had banking facilities of RMB25,210 million, including USD1,585 million and RMB14,700 million. The utilized banking facilities consisted of USD35 million and RMB3,291 million, while the unutilized banking facilities consisted of USD1,550 million and RMB11,409 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 resumption of the value-added tax on fertilizer products and 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 2016. 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 2016, the Group had no material contingent liabilities.

XVII. Capital Commitment

Table 8:

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Contracted but not provided for		
– Property, plant and equipment	35,931	46,017
Authorized but not contracted for		
– Property, plant and equipment	424,212	546,315
– Investments in an associate and others	300,000	300,000
	<hr/>	<hr/>
Total	760,143	892,332
	<hr/> <hr/>	<hr/> <hr/>

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 asset acquisition.

XVIII. Major Investments

For the six months ended 30 June 2016, the Group had no material investments.

XIX. 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 the ratio of incentive bonus to total remuneration. This can help the Group to recruit, retain and motivate high-caliber employees required for the development of the Group and to avoid offering excessive incentives.

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

The Group reviews its remuneration policy annually and, if necessary, engages professional consultants, to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 30 June 2016, the Group had about 6,382 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 2016, the Group provided 14,884 hours of training in aggregate for about 1,562 person-times (trainings held by subsidiaries excluded). The training courses covered areas such as marketing management, operation and management, laws and regulations, lean management, project management, finance, logistics, human resources management, information technology, safety production and general working skills. These training further improved the management skills and professional standard of the management of the Group and enhanced the overall quality of the employees to meet the requirements of the Group's rapid developments, and further improved the competitiveness of the Group.

The board of directors (the “Board”) of 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 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016 – unaudited

	<i>Note</i>	Six months ended 30 June	
		2016	2015
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	8,908,822	16,701,192
Cost of sales		<u>(8,553,923)</u>	<u>(15,640,994)</u>
Gross profit		354,899	1,060,198
Other income and gains		123,081	126,236
Selling and distribution expenses		(361,701)	(352,533)
Administrative expenses		(331,754)	(275,927)
Other expenses and losses		(114,182)	(63,012)
Share of results of associates		27,575	28,875
Share of results of joint ventures		(2,250)	13,635
Finance costs	4(a)	<u>(180,755)</u>	<u>(102,798)</u>
(Loss)/Profit before taxation	4	(485,087)	434,674
Income tax	5	<u>(10,173)</u>	<u>(95,735)</u>
(Loss)/Profit for the period		<u>(495,260)</u>	<u>338,939</u>
(Loss)/Profit for the period attributable to:			
– Owners of the Company		(432,134)	342,040
– Non-controlling interests		<u>(63,126)</u>	<u>(3,101)</u>
		<u>(495,260)</u>	<u>338,939</u>

		Six months ended 30 June	
		2016	2015
	<i>Note</i>	RMB'000	RMB'000
(Loss)/Profit for the period		<u>(495,260)</u>	<u>338,939</u>
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		43,497	(17,817)
Changes in fair value of available-for-sale investments		<u>(23,223)</u>	<u>108,048</u>
Other comprehensive income for the period		<u>20,274</u>	<u>90,231</u>
Total comprehensive (expenses)/income for the period		<u>(474,986)</u>	<u>429,170</u>
Total comprehensive (expenses)/income attributable to:			
– Owners of the Company		(411,860)	432,271
– Non-controlling interests		<u>(63,126)</u>	<u>(3,101)</u>
		<u>(474,986)</u>	<u>429,170</u>
(Loss)/Earnings per share	6		
Basic (RMB)		<u>(0.0615)</u>	<u>0.0487</u>
Diluted (RMB)		<u>(0.0615)</u>	<u>0.0487</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016 – unaudited

		At 30 June 2016	At 31 December 2015
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		3,839,225	3,876,167
Lease prepayments		507,245	513,844
Mining right		627,572	643,673
Goodwill		835,777	829,752
Other long-term assets		8,489	10,202
Interests in associates		11,524,746	11,574,427
Interests in joint ventures		576,186	581,436
Available-for-sale investments		498,223	519,040
Advance payments for acquisition of property, plant and equipment		23,877	29,077
Deferred tax assets		31,368	44,740
		<u>18,472,708</u>	<u>18,622,358</u>
Current assets			
Inventories		4,460,079	6,312,327
Trade and bills receivables	8	330,817	348,097
Other receivables and advance payments		1,053,222	1,131,386
Loans to an associate		670,000	670,000
Lease prepayments		13,820	13,810
Other deposits		–	1,200
Other financial assets		8,797	–
Pledged bank deposit		490	–
Bank balances and cash		191,557	639,851
		<u>6,728,782</u>	<u>9,116,671</u>
Current liabilities			
Trade and bills payables	9	4,449,043	5,997,402
Other payables and receipt in advance		1,355,660	1,993,382
Interest-bearing borrowings			
– due within one year		1,989,445	1,583,430
Short-term commercial paper		2,000,000	2,000,000
Tax liabilities		11,667	11,429
		<u>9,805,815</u>	<u>11,585,643</u>
Net current liabilities		<u>(3,077,033)</u>	<u>(2,468,972)</u>
Total assets less current liabilities		<u>15,395,675</u>	<u>16,153,386</u>

	At 30 June 2016 <i>RMB'000</i>	At 31 December 2015 <i>RMB'000</i>
Non-current liabilities		
Interest-bearing borrowings		
– due after one year	2,492,010	2,690,835
Deferred income	103,761	107,125
Deferred tax liabilities	228,401	234,669
Other long-term liabilities	44,836	44,836
	<u>2,869,008</u>	<u>3,077,465</u>
NET ASSETS	<u>12,526,667</u>	<u>13,075,921</u>
CAPITAL AND RESERVES		
Issued equity	8,267,384	8,267,384
Reserves	4,273,805	4,759,933
Total equity attributable to owners of the Company	12,541,189	13,027,317
Non-controlling interests	(14,522)	48,604
TOTAL EQUITY	<u>12,526,667</u>	<u>13,075,921</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 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 the following amendments to Hong Kong Financial Reporting Standard (“HKFRS”) that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to HKFRSs 2012-2014 Cycle*
- Amendments to HKAS 1, *Presentation of financial statements: Disclosure initiative*

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

Annual Improvements to HKFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34, *Interim financial reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group’s interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group’s interim financial report.

3 Segment reporting

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

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

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

For the six months ended 30 June 2016	Marketing RMB'000	Production RMB'000	Elimination RMB'000	Total RMB'000
Revenue				
External revenue	7,983,822	925,000	–	8,908,822
Internal revenue	451,880	1,303,685	(1,755,565)	–
Segment revenue	<u>8,435,702</u>	<u>2,228,685</u>	<u>(1,755,565)</u>	<u>8,908,822</u>
Segment gross profit	<u>256,076</u>	<u>98,823</u>	<u>–</u>	<u>354,899</u>
Segment loss	<u>(16,302)</u>	<u>(311,043)</u>	<u>–</u>	<u>(327,345)</u>
Share of results of associates	430	27,145	–	27,575
Share of results of joint ventures	(2)	(2,248)	–	(2,250)
Unallocated expenses				(30,655)
Unallocated income				28,343
Finance costs				(180,755)
Loss before taxation				<u>(485,087)</u>
As at 30 June 2016				
Segment assets	<u>5,752,947</u>	<u>5,975,640</u>	<u>–</u>	<u>11,728,587</u>
Segment liabilities	<u>4,535,342</u>	<u>1,243,453</u>	<u>–</u>	<u>5,778,795</u>
For the six months ended 30 June 2015	Marketing RMB'000	Production RMB'000	Elimination RMB'000	Total RMB'000
Revenue				
External revenue	15,602,458	1,098,734	–	16,701,192
Internal revenue	726,387	2,165,994	(2,892,381)	–
Segment revenue	<u>16,328,845</u>	<u>3,264,728</u>	<u>(2,892,381)</u>	<u>16,701,192</u>
Segment gross profit	<u>724,448</u>	<u>335,750</u>	<u>–</u>	<u>1,060,198</u>
Segment profit	<u>459,583</u>	<u>16,464</u>	<u>–</u>	<u>476,047</u>
Share of results of associates	421	28,454	–	28,875
Share of results of joint ventures	(11)	13,646	–	13,635
Unallocated expenses				(38,665)
Unallocated income				57,580
Finance costs				(102,798)
Profit before taxation				<u>434,674</u>
As at 31 December 2015				
Segment assets	<u>7,644,690</u>	<u>6,541,244</u>	<u>–</u>	<u>14,185,934</u>
Segment liabilities	<u>6,859,177</u>	<u>1,218,067</u>	<u>–</u>	<u>8,077,244</u>

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

4. (Loss)/Profit before taxation

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

(a) Finance costs

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Interests on borrowings		
– wholly repayable within five years	182,784	113,575
Less: interest expense capitalized (<i>note</i>)	(2,029)	(10,777)
	180,755	102,798
	180,755	102,798

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 2015: 5.54%).

(b) Other items

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Depreciation and impairment losses of property, plant and equipment	186,266	183,652
Release of lease prepayments	6,589	6,236
Amortization of mining right	16,101	16,093
Amortization of other long-term assets	2,991	2,945
Deferred income released	(4,164)	(6,550)
Impairment loss on interests in an associate	60,000	–
Write-down of inventories	26,605	7,014
Write-down of trade receivables	–	9,120
Write-down of other receivables and advance payments	–	11,875
Reversal of collectible receivables	–	(9,488)
Loss on disposal of property, plant and equipment	1,077	230
	1,077	230
	1,077	230

5. Income tax

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax – Hong Kong Profits Tax	–	–
Current tax – PRC Enterprise Income Tax	3,069	5,567
Deferred taxation	7,104	90,168
	10,173	95,735

- (i) The provision for Hong Kong Profits Tax is calculated by applying at 16.5% (2015: 16.5%) of the estimated assessable profits for the six months ended 30 June 2016.
- (ii) The provision for the PRC Enterprise Income Tax is based on the statutory rate of 25% (2015: 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 2016, 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. (Loss)/Earnings per share

The calculation of basic and diluted (loss)/earnings per share is as follows:

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/Earnings		
(Loss)/Earnings for the purpose of basic/diluted (loss)/earnings per share	(432,134)	342,040
Number of shares	<i>'000 shares</i>	<i>'000 shares</i>
Weighted average number of ordinary shares for the purpose of basic/diluted (loss)/earnings per share	7,024,456	7,024,456

7. Dividends

The Board of Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2016 (the corresponding period in 2015: nil).

During the six months ended 30 June 2016, the final dividend for the year ended 31 December 2015 of approximately RMB57,658,000 at HK\$0.0097 (approximately RMB0.0082) per share has been paid (the corresponding period in 2015: approximately RMB57,731,000 at HK\$0.0104 (approximately RMB0.0082) per share).

8. Trade and bills receivables

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Trade receivables	217,395	68,798
Bills receivables	<u>113,422</u>	<u>279,299</u>
Trade and bills receivables	<u>330,817</u>	<u>348,097</u>

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 2016 RMB'000	At 31 December 2015 RMB'000
Within 3 months	308,539	285,558
Over 3 months but within 6 months	12,278	33,091
Over 6 months but within 12 months	565	1,914
Over 12 months	<u>9,435</u>	<u>27,534</u>
	<u>330,817</u>	<u>348,097</u>

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 RMB12,506,000 (as at 31 December 2015: RMB36,582,000) 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. Trade and bills payables

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Trade payables	1,834,793	4,614,655
Bills payables	<u>2,614,250</u>	<u>1,382,747</u>
Trade and bills payables	<u>4,449,043</u>	<u>5,997,402</u>

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 2016 RMB'000	At 31 December 2015 RMB'000
Within 3 months	2,418,105	4,501,446
Over 3 months but within 6 months	859,310	1,318,698
Over 6 months but within 12 months	1,001,878	21,854
Over 12 months	169,750	155,404
	4,449,043	5,997,402

10. Events after reporting period

- (a) Sinochem Fertilizer Company Limited (“Sinochem Fertilizer”, an indirect wholly-owned subsidiary of the Company) completed several financing activities listed below after the reporting period:
- (i) The first tranche of the medium-term notes for the year of 2016 in an amount of RMB1 billion, with a term of three years and at a coupon rate of 3.50% per annum, was issued on 22 July 2016;
 - (ii) The first tranche of super & short-term commercial paper for the year of 2016 in an amount of RMB1 billion, with a term of 120 days and at a coupon rate of 2.67% per annum, was issued on 15 August 2016;
 - (iii) The second tranche of super & short-term commercial paper for the year of 2016 in an amount of RMB1 billion, with a term of 267 days and at a coupon rate of 2.90% per annum, was issued on 19 August 2016;
 - (iv) The third tranche of super & short-term commercial paper for the year of 2016 in an amount of RMB1 billion, with a term of 266 days and at a coupon rate of 2.90% per annum, was issued on 24 August 2016.
- (b) On 11 August 2016, Sinochem Fertilizer and Yunnan Yuntianhua Co., Ltd. (“Yuntianhua”) entered into the equity transfer contract and the supplemental agreement, pursuant to which Sinochem Fertilizer agreed to transfer its 25% equity interest in Yunnan Three Circles-Sinochem-Mosaic Fertilizer Co., Ltd. (“Sinochem Mosaic”) to Yuntianhua for a preliminary consideration of RMB90,148,450 (subject to the deduction of dividends distributed to the shareholders of Sinochem Mosaic in the year 2015 and employees’ benefits and bonus fund appropriated in the year 2015, as well as any adjustment that may be made based on an audit by an independent auditor on Sinochem Mosaic for the transitional period).

INTERIM DIVIDEND

The Board did not recommend the declaration of interim dividend for the six months ended 30 June 2016.

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 2016, 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 2016.

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 2016.

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 compliance with the applicable corporate governance standards contained in relevant code provisions as set out in the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2016 and up to the date of this announcement, except for the deviations from the code provision E.1.2 as described below.

The code provision E.1.2 provides that, among others, the chairman of the board should attend the annual general meeting of the listed issuer. In the annual general meeting of the Company held on 3 June 2016 (the “2016 AGM”), Mr. Ning Gao Ning, Chairman of the Board, did not chair the meeting due to other essential business engagements. In order to ensure smooth holding of the 2016 AGM, the Chairman of the Board authorized and the directors attended the meeting elected Mr. Wang Hong Jun, the executive director and chief executive officer of the Company, to chair the meeting on behalf of the Chairman of the Board. Respective chairmen of the audit, remuneration, nomination and corporate governance committees of the Company were present at the 2016 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 2015 annual report for more information about the corporate governance of the Company.

BOARD OF DIRECTORS

As at the date of this announcement, the executive directors of the Company are Mr. Wang Hong Jun (Chief Executive Officer) and Mr. Harry Yang; the non-executive directors of the Company are Mr. Ning Gao Ning (Chairman), Mr. Yang Lin, Dr. Stephen Francis Dowdle and Ms. Xiang Dan Dan; 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
Wang Hong Jun
Executive Director and Chief Executive Officer

Hong Kong, 25 August 2016

* *For identification purposes only*