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 2018

FINANCIAL HIGHLIGHTS

- The Group's revenue was RMB13,037 million for the current period, increased by 24.53% year on year
- Profit attributable to owners of the Company for the current period was RMB315 million, representing a notable improvement over the prior period
- Basic earnings per share for the current period was RMB0.0448, increased by RMB0.043 year on year
- The Board did not recommend the declaration of interim dividend for the six months ended 30 June 2018

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I hereby report 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 2018.

In the first half of 2018, China readjusted crop planting structure, and the fertilizer industry modestly recovered. During the reporting period, the Group actively carried out strategic sourcing and the distribution channel expansion strategy known as DTS, further strengthened synergy effect of various operations, focused on increasing sales of differentiated products, and worked hard to rein in cost and expenses of production subsidiaries. With such joint efforts, all business sectors of the Group reported significantly improved performances, exceeding the budget plan. For the six months ended 30 June 2018, the Group achieved total sales volume of 6.72 million tons, up by 10% year on year; and sales income of RMB13,037 million, up by 25% year on year. Profit attributable to owners of the Company increased by RMB302 million year on year to RMB315 million, and annualized ROE attributable to the parent company was 9%, up by 8.7 percentage points year on year. All performance index were good, and various credit indicators were above investment grade rating standards. Period expenses were up by 3% year on year, but were reasonable and within the limit of the budget plan. Assets-liability structure remained sound, and solvency was strong. Overall inventory level and turnover rate were on par with the same period of last year. In addition, the Group consolidated its operation capabilities, and maintained solid strategic cooperation with major international suppliers.

In the second half of 2018, uncertainties caused by the ongoing trade war between the United States and China would likely put the Chinese fertilizer industry in a difficult situation. However, the Group will continue to renovate its business models and achieve its business transformation by grasping the opportunities created in the changes and reform in China's agricultural sector, such as the government's constant emphasis on agricultural modernization, the implementation of the rural revitalization strategy, the supply-side reform in the agricultural sector, a shift from increased grain yields to grain quality, the trend of differentiated nutrients and comprehensive profit of cash crop farming, as well as greater opening-up in the agricultural sector in a positive and proper manner by the government.

The Group will focus on business transformation and upgrading, be fully committed to promoting modern agriculture and optimizing business structure so as to achieve stable and sustainable growth. Major work will be done to further strengthen the cooperation with major suppliers both at home and abroad, improve strategic sourcing ratio and synergic effect of various business sectors, set up a trading and service platform, integrate the supply chain to better serve the customers with big data and financing services, continue to implement the DTS distribution channel expansion strategy to enhance marketing operation capabilities in strategic products distribution, streamline and readjust marketing channels to improve customer management and make up the weak links in market expansion, and continue to promote the transformation of the technological and service distribution channel with optimized agrotechnical team building and management. Meanwhile, the Group will bring in place a market-oriented R&D system aiming at achieving innovations in fertigation, core materbatch and high-end compound fertilizer production process. In this respect, great efforts will be made to ensure the high standard adhered in the building of the Linyi R&D Center, to upgrade the management standard of production subsidiaries with consolidated evaluation and stricter requirements for reducing cost while improving efficiency, and to speed up readjusting the production layout by tapping into the potentials of existing production capacities. The Group will ensure the smooth relocating of Sinochem Oriental Fertilizer Co., Ltd. as required by environmental protection regulations, keep an eye on opportunities for the merger & acquisition and self-building of advanced production capacities, and maintain safe production by enhancing risk control and safety management.

Last but not the least, on behalf of the Board of Directors, I'd like to extend our deep appreciations and sincere thanks to the shareholders of the Company and customers of the Group. We hope to have your continuous attention and support in the future. We expect the management and members and staff of the Company will bear in mind the vision of "In Science We Trust, Combine Action with Knowledge", and work ever harder to continuously make contribution to the development of the Group.

Zhang Wei
Chairman of the Board

Hong Kong, 30 August 2018

MANAGEMENT REVIEW AND PROSPECT

Business Environment

At the beginning of the year, the CPC Central Committee and the State Council issued "Opinions of the CPC Central Committee and the State Council on Implementing the Rural Revitalization Strategy", which highlighted that agricultural development should be promoted by improving quality and enhancing environmental protection, the focus be on the supply-side structural reform of the agricultural industry, the building of an industrial system, a production system and an operation system of modern agriculture be accelerated, agricultural innovation, competitiveness and total-factor productivity be enhanced, and the transformation from a major agricultural country to a strong one be sped up. Changes in the agricultural industry have a significant impact on the fertilizer industry, which is facing tremendous pressure from transformation and reform.

In the first half of 2018, the growth of global fertilizer demand slowed down, the fertilizer prices on the domestic market recovered, while excess capacity still existed. In terms of import and export, in spite of the zero-tariff policy on the export of nitrogen and phosphate, the competitiveness of China's fertilizer on the international market declined, and the volume of imports and exports significantly decreased. Environmental regulations were more strict, circulation costs were increased and the new "Fertilizer Classification and Requirements" is about to take effect, which will increase the operation cost of the fertilizer enterprises. Fertilizer and traditional chemical industries were still faced with great pressure for survival. Domestic enterprises accelerated their transformation and upgrading one after another and expanded their presence in the upstream and downstream of the industrial chains, and started to provide farmers with new agricultural comprehensive services.

Against this backdrop, in order to effectively cope with the huge market challenges and ensure the Company's leading position in the industry, the Group, under the leadership of the Board of Directors, seized the opportunity of the agricultural supply-side reform and the fast-changing trend of agricultural structure by centering on the rural revitalization strategy. Under the principle of "In Science We Trust" and by focusing on transformation and upgrading, the Group took root in modern agriculture, optimized its business structure, innovated business models and saw notable improvement in business performance.

Financial Highlights

For the six months ended 30 June 2018, the Group's revenue reached RMB13,037 million, up by 24.53% over the corresponding period of 2017. Profit attributable to owners of the Company amounted to RMB315 million, up by RMB302 million compared with the corresponding period in 2017, which represents a significant improvement of business performance.

Resource Guarantee

In the first half of 2018, Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong"), a subsidiary of the Group, optimized the phosphate mining schemes and mined 300,700 tons of phosphate rock. In respect of mine construction, Sinochem Yunlong implemented the construction of capacity continuing project of 600,000 tons/year for Mozushao production as planned, built a mechanized, automated, digital and intelligent mine through such measures as compliant production outsourcing and eliminating backward production equipment, ensured the sustainable use of resources, and continuously expanded the advantages in phosphate resources, in order to further support the sustainable development of the Group's phosphate and phosphorus chemical industry.

Manufacturing

In the first half of 2018, the Group's subsidiaries, associates and joint ventures continued to implement the basic work in production enterprises, conducted cost management, centralized procurement and quality management, implemented technological innovation, production process optimization, scientific innovation and automation building, and carried out cost reduction and efficiency improvement, further explored the potential of existing facilities and promoted the production and operation efficiency of the enterprises.

Sinochem Chongqing Fuling Chemical Co., Ltd. ("Sinochem Fuling"), a subsidiary of the Group, produced 512,800 tons of phosphate, compound fertilizers and other products in the first half of 2018. Sinochem Fuling carried out in-depth cooperation with the Basic Fertilizers Division in off-take, seized market opportunities, and achieved notable results in increasing income, reducing cost, and improving efficiency through implementing the economic responsibility system, and the profitability was largely enhanced in the first half of the year.

In the context of shifting towards new growth momentum, in order to enhance the competitiveness of its plants and make full use of its geographical advantages, Sinochem Jilin Changshan Chemical Co., Ltd. ("Sinochem Changshan"), a subsidiary of the Group, shut down the old ammonia production line with high material and energy consumption and operated the pulverized coal gasification ammonia production line which had the advantages of energy conservation and environmental friendliness. Therefore, the production and operation of the plant was more stable and the cost was obviously reduced. In the first half of 2018, Sinochem Changshan produced 88,800 tons of ammonia (or 155,000 tons of urea) and 75,900 tons of compound fertilizers in total.

Sinochem Yunlong, a subsidiary of the Group, produced 158,600 tons of Monocalcium/Dicalcium Phosphate (MDCP) in the first half of 2018. Sinochem Yunlong increased its market share by taking such management measures as "stable production, sales promotion, procurement control and cost reduction", paying great attention to production safety, cost reduction and efficiency improvement, adopting a market orientation and continuously promoting quality improvement and differentiated product development. Through full workflow management including production process innovation, quality control, equipment and technological transformation, it ensured the "safe, stable, long-term, full and high-quality" operation of its plants with an average one-off pass rate of nearly 100%, and its product quality reached an internationally advanced level.

Marketing Services

Taking into consideration the characteristics of China's agriculture, the Group continued to lay a solid foundation for its business operation through institutional reform and business model innovation, achieved a sales volume of 6.72 million tons in the first half of 2018 and maintained its leading market position and influence.

Potash operations: In the first half of 2018, the potash fertilizer business achieved a sales volume of 1.6 million tons and its operation scale grew by 17% compared to the same period in 2017. The Group strengthened its cooperation with core suppliers, continuously reinforced strategic cooperation, and obtained domestic and overseas high-quality products. The Group further consolidated its strategic cooperation with Qinghai Salt Lake Industry Co., Ltd., enhanced the influence of domestic potash in regions where the Group was the exclusive agent, and reinforced the strategic synergy in such areas as information exchange and communication; optimized the core customer system for industrial potash, maintained stable sources of supply, enhanced internal coordination, and guaranteed the stable supply of goods for its distribution channels and subsidiaries; strengthened information analysis, improved scientific decision-making mechanism, formulated differentiated sales strategies, and enhanced market influence; and continued to build its proprietary brand of potash for agricultural use, strengthened channel customer management, optimized sources of supply and logistics arrangement, and stabilized sales volume of potash for agricultural use.

Nitrogen Operations: In the first half of 2018, the nitrogen fertilizers business achieved a sales volume of 1.96 million tons and its operation scale grew by 11% compared to the same period in 2017. The Group continued to strengthen the supplier system building, consolidated cooperation with strategic suppliers, improved resources supply capacity, gave full play to centralized procurement and reduced costs for procurement. With fluctuating market prices, the Group strictly controlled inventory level, increased the proportion of direct sales, increased turnover rate, and achieved stable profits. In addition, the Group continued to enhance the business scale of its proprietary nitrogen fertilizers, offered a product mix consisting of three series and multiple specifications with high growth potential, improved the contribution in margin ratio and continuously enhanced customer value.

Phosphate Operations: In the first half of 2018, the phosphate fertilizers business achieved a sales volume of 1.17 million tons and its operation scale grew by 8% compared to the same period in 2017. Through scale operation, the Group constantly deepened strategic cooperation, ensured steady supply of high-quality products and gained sound profit from procurement. The Group also linked the upstream strategic suppliers and downstream core customers through consolidated customer base and business model innovation, provided comprehensive solutions to solve customers' pain points in demand, and accelerated the transformation and upgrading of the Company. In addition, the Group introduced Meilinmei, a new phosphate product that met the demand trend, to gain market share, consolidated its leading position in domestic phosphate fertilizer distribution, achieved stable profit and enhanced customer value.

Compound Fertilizer Operations: In the first half of 2018, the compound fertilizers business achieved a sales volume of 1.44 million tons and its operation scale grew by 9% compared to the same period in 2017. The Group continued to deepen distribution channels, promote the transformation of technological fruits and improve the coordination of production and marketing. The DTS channel building strategy (D for distribution, T for technology promotion and S for straight service) was successfully promoted. The sales volume and profit were both increased with efforts in core customer cultivation, terminal network development, technical capability building centering on key crops and sales service tiers compression. To cater to market demand, the Group launched multiple products with scientific innovation, such as "Xiadaobao", "Maifengbao" and "Daohuaxiang", which were highly recognized and accepted by the market. By improving its collaborative operation mechanism of R&D, production and marketing, the Group continuously enhanced the capabilities in R&D, production and marketing, and gradually formed a crop-oriented product system, effectively facilitating the rapid development of compound fertilizer business.

The Group attached great importance to the quality enhancement of distribution channels, consolidated traditional in-depth distribution channels, and at the same time continuously promoted the development of family farms and new farming entities. The Group continued to expand its distribution network and sales coverage, developed and upgraded more than 22,000 sales outlets. Through providing agrochemical services, the Group developed more than 1,000 customers whose business revolves around the cultivation of land. The Group's corporate image of serving agriculture, rural areas and farmers with advanced technology was spoken highly of among the farmers.

The Group actively implemented the rural revitalization strategy issued by the CPC Central Committee and the State Council, developed green farming technologies, vigorously promoted projects such as side deep fertilization, the integration of water and fertilizer, and soil improvement. The technical service team worked on the field all year round and provided farmers with comprehensive services such as technical training, soil testing and production process management. Since the beginning of the year, the Group built 220 water and fertilizer integration and intelligent fertilizer mixing stations nationwide, and carried out more than one thousand soil tests. Enabling farmers to harvest quality agricultural products and sell such products at good prices became the core value of each employee in the process of implementing the rural revitalization strategy.

Internal Control and Management

The Group's internal control and risk management system was built according to the "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (hereinafter referred to as "COSO") in the United States and the "Internal Control and Risk Management – A Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants, and was in reference to the "Basic Rules of the Enterprise Internal Control" and its referencing guidelines issued by five ministries and commissions of China's central government. Under the principle of "high priority, daily monitoring and mainly diverting", the Group paid attention to improving the risk and internal control management mechanism in line with the strategic development, conducted risk identification, assessment and response, implemented a whole-process risk alarming management mechanism and adopted corresponding measures for material risks.

In the first half of 2018, in the context of delevaraging and debt reduction in China, along with corporate management and business innovation, the Group implemented hierarchical authorization management and reinforced entity responsibility among all levels, strengthened the standardization of basic work, and timely gave warning of credit risk and market risk. The Basic Fertilizers Division and the Distribution Division provided risk control training to all the personnel, combed and improved management systems, optimized business processes, ensured that the business operations were carried out in a standard and orderly manner. The Headquarter revised performance assessment indicators for internal control and management, and guided business departments to enhance awareness of internal control and risk responsibility. Both the Headquarter and the business departments strengthened daily inspection, further consolidated the fundermental work of internal control, and met the compliance requirements from domestic and overseas regulatory organizations. The above efforts provided reasonable protection for the Group to cope with the changing business environment, serve its strategic transformation and ensure the shareholders' interests, asset safety, business performance and strategic implementation.

Corporate Social Responsibility

The Group actively brought into play its influence and leading status in the industry, directly provided agricultural inputs to the grass-root level and ensured steady supply of products through its comprehensive agricultural inputs distribution and service network covering above 95% of China's arable land during the key period of spring planting and summer sowing season, guided farmers to apply fertilizers in a scientific manner, provided training such as crop protection and cultivation techniques, helped farmers to reduce costs, improve yield quality and increase income.

In the first half of 2018, the Group focused on free soil testing service, field guidance, technical seminars, and anti-counterfeiting and together with the National Agricultural Technology Extension and Service Center, built pilot demonstration fields and launched training programs for new type of occupational farmers. By the end of 30 June 2018, more than 30,000 activities were carried out, including over 15,000 field guidance and soil testing and formula fertilizer activities, over 3,000 anti-counterfeiting activities, over 2,000 training programs for farmers, and over 1,000 demonstration seminars, more than 800 pilot demonstration fields were built and more than 30,000 copies of promotional materials were distributed, which benefited more than 1,000 villages and towns and over 3 million farmers.

Sinochem Fertilizer Co., Ltd. ("Sinochem Fertilizer"), a subsidiary of the Group, deepened its cooperation with the Department of Crop Production, Ministry of Agriculture and the National Agricultural Technology Extension and Service Center, focused on the joint demonstration and promotion of high-quality green products, the reduction of fertilizer application and improvement of efficiency, the use of bio-organic fertilizers in the production of fruits, vegetables and tea instead of chemical fertilizers and green planting, etc.. Through combining soil improvement with fertilizer application, the Group explored new mode of scientific fertilization, properly improved soil environment, reduced the overall application rates of fertilizer, and actively fulfilled its social responsibility. Sinochem Fertilizer focused on integrating agrochemical service and agricultural machinery as well as water and fertilizer integration projects, organized new farming entities to jointly launch large-scale demonstration field tours in various regions, improved the utilization rate of fertilizers and water, and reduced pollution to agricultural environment. In addition, Sinochem Fertilizer worked with the agricultural scientific research institutions to improve and upgrade existing planting techniques, and coordinated with local agricultural technology extension centers to promote advanced application technology and production model and led farmers to use new products and new technology.

In the first half of 2018, the Group fulfilled its corporate social responsibility, carried out the "Spring Breeze Action" by taking more than 60 targeted measures in poverty alleviation, launched poverty alleviation activities in Lujiang County of Anhui Province, Xundian County of Yunnan Province, Liaocheng City of Shandong Province, Weixian County of Hebei Province and Changfeng County of Anhui Province. The Group focused on establishing and developing the self-development capability of the poverty-stricken population, and combined poverty alleviation with morale boost and wisdom improvement. The Group provided specialized agricultural technology services to the poor areas, and donated fertilizer, fertilizer application equipment and stationeries amounting to more than RMB500,000.

In the future, the Group will continue to focus on the requirement of modern agriculture development and strive to serve farmers, center on the goal of fertilizer and pesticide application reduction, deepen the cooperation with the Chinese government, scientific institutions, colleges and universities, put emphasis on key projects such as scientific fertilization, integration of water and fertilizer, new farmers' training and social agricultural comprehensive services, pool the internal and external resources, constantly make innovations in terms of service measures and continue to provide high-quality, professional and high-efficiency comprehensive service for Chinese farmers.

The Group follows the environmental protection concept of "protecting and improving the production and operation environment of the Company and natural resources, preventing environmental pollution and ecological damage, and promoting the sustainable development of the Company". The Group actively implemented clean production, prevented the occurrence of new sources of pollution, continuously reduced waste emission through adopting advanced processes, technologies and equipment, and built a long-term environmental protection mechanism. In the first half of 2018, the Group fully achieved its energy-saving and emission reduction goals, and the pollutant emission was down by 1.5% over the corresponding period in 2017.

Outlook

With the development of China's urbanization and the advancement of China's agricultural supply-side reform, large-scale operation entities are rapidly emerging, new format of operation in agriculture is taking shape, and in the future, agriculture will be more and more mechanized, automated and intelligent. Constrained by insufficient operation resources and incompetence in meeting the service demands, large-scale operation entities face difficulties in improving planting efficiency and structural reorganization; consumption upgrading and supply-side reform have created enormous demands for modern agricultural services and quality agricultural products. The Chines government requires full implementation of the Rural Revitalization Strategy, insists on giving priority to the development of agriculture and rural areas, strives to establish and improve the institutional mechanism and policy system for urban and rural integration and development and accelerate the modernization of agriculture and rural areas in accordance with the general requirements of "industrial prosperity, ecological livability, rural civilization, effective governance, and affluent living". This provides tremendous opportunities for our future development and transformation.

The oversupply situation on the fertilizer market still persists, the backward production capacity is phased out, and the industrial value chain is rapidly shifting to resources, R&D and terminal retail services. As a leading fertilizer company in China, the Group will shoulder the tasks of promoting agricultural modernization and the sound development of the fertilizer industry in China. The basic fertilizers business will strive to form a stable profit model by reinforcing the building of the core supplier system, optimizing the strategic procurement model, strengthening the construction of marketing regions, consolidating and continuously expanding the industrial and trading customer base. The distribution business will continue to promote the DTS channel building strategy, strengthen the construction of terminal outlets, expand channel coverage and promote the transformation of the Group from agents to service providers. Production enterprises will improve management level, strive to reduce costs and improve efficiency, accelerate industrial layout adjustment, strengthen risk control and safety management, and improve the operational efficiency. As for research and development, the Group will establish a market-oriented interaction mechanism of technology and market, strengthen integration capabilities of core master batch and special fertilizer technology, enhance R&D conversion efficiency, and at the same time carry out innovative research on soil improvement, crop quality enhancement, fertilizer and seed agricultural machinery integration. The Group will strengthen its comprehensive agricultural service capability and strive to become China's leading crop nutrition technology marketing and service provider.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2018, sales volume of the Group was 6.72 million tons and revenue was RMB13,037 million, up by 10.34% and 24.53%, respectively, over the corresponding period in 2017.

For the six months ended 30 June 2018, gross profit of the Group was RMB1,086 million, up by 20.00% over the corresponding period in 2017; and profit attributable to owners of the Company was RMB315 million. The Group's business performance saw notable improvement compared to the corresponding period in 2017.

I. Operation Scale

1. Sales Volume

For the six months ended 30 June 2018, sales volume of the Group was 6.72 million tons, up by 10.34% over the corresponding period in 2017. For the first half of 2018, the fertilizer market maintained an upward trend, but there was no change in the oversupply situation. The Group has clear strategic orientation and the effects of internal restructuring and remuneration reform have been further materialized. In particular, the Group expanded the scale of its strategic procurement to secure high quality supplies, strengthened the collaboration with its core customers, grasped the opportunity of rising price of major fertilizers in China, and reinforced comprehensive marketing service among downstream customers, which resulted in the increase of sales volume of major fertilizers compared to the same period in 2017. Specifically, the sales volume of potash, nitrogen, phosphate and compound fertilizers of the Group increased by 16.79%, 10.73%, 8.33% and 9.09%, respectively.

2. Revenue

For the six months ended 30 June 2018, the revenue of the Group was RMB13,037 million, up by RMB2,568 million or 24.53% over the corresponding period in 2017. The increase rate of revenue was higher than that of sales volume (10.34%), which was mainly attributable to the rising selling price of fertilizer products, and the average selling price increased by 12.85% year on year.

The breakdown of revenue by products of the Group for the six months ended 30 June 2018 and the corresponding period in 2017 is as follows:

Table 1:

	For the six months ended 30 June			
	2018		2017	
	Revenue *RMB'000*	**As percentage of total revenue**	Revenue *RMB'000*	As percentage of total revenue
Potash Fertilizers	**2,924,662**	**22.43%**	2,368,008	22.62%
Nitrogen Fertilizers	**2,899,981**	**22.24%**	2,155,801	20.59%
Compound Fertilizers	**3,377,005**	**25.90%**	2,903,046	27.73%
Phosphate Fertilizers	**2,666,663**	**20.46%**	2,099,110	20.05%
MCP/DCP	**434,334**	**3.33%**	419,978	4.01%
Others	**734,668**	**5.64%**	523,385	5.00%
Total	**13,037,313**	**100.00%**	10,469,328	100.00%

3. Revenue and results by segment

The operating segments of the Group are divided into Basic Fertilizers Segment (sourcing and trading of straight fertilizers such as nitrogen, phosphate and potash), Distribution Segment (building of distribution channels, sourcing and selling of compound fertilizers and new type of fertilizers) and Production Segment (production and sales of fertilizers and MDCP).

The following is the analysis of the Group's revenue and results by operating segment for the six months ended 30 June 2018 and the corresponding period in 2017:

Table 2:

	For the six months ended 30 June 2018				
	Basic Fertilizers	**Distribution**	**Production**	**Eliminations**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
External revenue	**8,641,465**	**3,307,340**	**1,088,508**	**–**	**13,037,313**
Inter-segment revenue	**204,149**	**3,289**	**968,812**	**(1,176,250)**	**–**
Segment revenue	**8,845,614**	**3,310,629**	**2,057,320**	**(1,176,250)**	**13,037,313**
Segment gross profit	**554,585**	**293,171**	**238,172**	**–**	**1,085,928**
Segment profit/(loss)	**425,873**	**65,959**	**(26,866)**	**–**	**464,966**

	For the six months ended 30 June 2017				
	Basic Fertilizers	Distribution	Production	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
External revenue	6,674,346	2,734,773	1,060,209	–	10,469,328
Inter-segment revenue	211,241	831	821,863	(1,033,935)	–
Segment revenue	6,885,587	2,735,604	1,882,072	(1,033,935)	10,469,328
Segment gross profit	470,753	233,499	200,264	–	904,516
Segment profit/(loss)	359,916	50,763	(43,483)	–	367,196

Segment profit/(loss) represents the profit/(loss) earned by each segment without taking into account unallocated expenses and income, share of results of associates and joint ventures and financing costs. Such information was reported to the Group's chief operating decision-makers for the purposes of resource allocation and segment performance assessment.

For the six months ended 30 June 2018, the external revenue increased by RMB2,568 million over the corresponding period in 2017, which was mainly attributable to the increase both in the sales volume and selling price of fertilizer products year on year.

The Group's segment profit for the six months ended 30 June 2018 was RMB465 million, among which, the Basic Fertilizers Segment and the Distribution Segment made a profit of RMB426 million and RMB66 million respectively, while the Production Segment suffered a loss of RMB27 million. Compared with the corresponding period in 2017, profit of the Basic Fertilizers Segment increased by 18.33%, profit of the Distribution Segment increased by 29.94% and loss of the Production Segment declined. This represents a great improvement in the Group's overall performance, which was mainly attributable to price increase in the fertilizer market brought by the supply-side reform and the Group's great efforts in strategic transformation and the building of a new business model. Meanwhile, the Group established efficient coordination mechanisms between each segment, defined the authorities and responsibilities of each business unit, continuously strengthened budget management, improved the assessment mechanism and remuneration incentive measures, vigorously reduced unit costs and improved production efficiency. The profitability of each business unit continued to be improved.

II. Profit

1. Gross profit

For the six months ended 30 June 2018, gross profit of the Group was RMB1,086 million, up by RMB181 million or 20.00% over the corresponding period in 2017, which was mainly due to the increase both in fertilizers price and sales volume.

The gross profit margin of the Group was 8.33%, which was relatively stable compared to the corresponding period in 2017. In particular, the Basic Fertilizers Segment expanded the scale of its strategic procurement to ensure high quality supplies, vigorously developed industrial customers, strengthened strategic coordination within internal business units, enhanced market influence and contributed stable gross profit. The Distribution Segment firmly implemented the DTS channel building strategy, improved product mix, built an operating system that covers procurement, production and marketing. Therefore, the industrial chain's efficiency was largely improved and the gross profit margin of the Distribution Segment increased to 8.86% for the first half of 2018 from 8.54% for the corresponding period in 2017. The major fertilizer production units of the Production Segment continued to operate efficiently and the production stability of Sinochem Changshan, a subsidiary of the Company, has also been enhanced. The inversion between production cost and selling price which was due to the inconsistent production of Sinochem Changshan in 2017 no longer existed. The gross profit margin of the Production Segment increased to 21.88% for the first half of 2018 from 18.89% for the corresponding period in 2017.

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

Share of results of joint ventures: For the six months ended 30 June 2018, the Group's share of results of joint ventures was a profit of RMB11 million, increased by RMB31 million from a loss of RMB20 million for the corresponding period of 2017. This was mainly due to the fact that Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. ("Three Circles-Sinochem") decreased the cost of procurement and implemented incentive system reform for better performance and therefore the Group's share of results of Three Circles-Sinochem was a profit of RMB4 million, which represents an increase of RMB25 million compared to a loss of RMB21 million for the corresponding period in 2017.

Share of results of associates: For the six months ended 30 June 2018, the Group's share of results of associates was a loss of RMB3 million, representing a reduction of loss by RMB127 million over the corresponding period in 2017, which was mainly due to that the Group's performance will no longer be affected by the performance of Qinghai Salt Lake Industry Co., Ltd. ("Qinghai Salt Lake") as the Group has transferred all its shares in Qinghai Salt Lake to Sinochem Group Co., Ltd. ("Sinochem Group"). The Group's share of results of Qinghai Salt Lake was a loss of RMB138 million for the six months ended 30 June 2017 due to the loss of Qinghai Salt Lake.

3. *Income tax*

For the six months ended 30 June 2018, income tax for the Group was close to zero. The taxable profit of various subsidiaries of the Group for the first half of 2018 was nearly the same with that of the corresponding period in 2017. In the meantime, the deferred income tax liabilities deriving from appreciation of property assessment continued to be amortized, making the total income tax close to zero.

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

4. *Profit attributable to owners of the Company and net profit margin*

For the six months ended 30 June 2018, profit attributable to owners of the Company was RMB315 million, a remarkable increase compared to RMB13 million of the corresponding period in 2017. Facing tough market competition and great transformation pressure, the Group actively promoted the development strategy, took various operational measures, kept promoting the guideline of cost reduction and efficiency improvement, carried out a series of technical reform and scientific and technological innovations, and constantly deepened business transformation.

For the six months ended 30 June 2018, the net profit margin of the Group, calculated by dividing profit attributable to owners of the company by revenue, was 2.42%.

III. Expenditures

For the six months ended 30 June 2018, the three categories of expenses amounted to RMB885 million, increased by RMB24 million or 2.79% from RMB861 million for the corresponding period in 2017.

Selling and distribution expenses: For the six months ended 30 June 2018, selling and distribution expenses amounted to RMB457 million, increased by RMB69 million or 17.78% from RMB388 million for the same period in 2017. The increase was mainly attributable to the fact that the Group's sales volume increased in the first half 2018, resulting in the increase of freight, storing, loading and discharging and labour costs year on year.

Administrative expenses: For the six months ended 30 June 2018, administrative expenses amounted to RMB306 million, increased by RMB9 million or 3.03% compared to RMB297 million for the corresponding period in 2017. The above increase rate was much lower than the expansion degree of business scales.

Finance costs: For the six months ended 30 June 2018, finance costs amounted to RMB122 million, decreased by RMB54 million or 30.68% compared to RMB176 million for the corresponding period in 2017. The decrease of finance costs was mainly attributable to the fact that the Group's average liability scale declined from RMB7,768 million to RMB5,185 million as the Group repaid some interest-bearing liabilities with the cash obtained from the transfer of the shares held in Qinghai Salt Lake.

IV. Other income and gains

For the six months ended 30 June 2018, the Group's other income and gains amounted to RMB147 million, which was relatively stable compared to RMB148 million for the corresponding period in 2017. Other income and gains mainly consisted of interest income, earnings from the disposal of fixed assets, sales of semi-finished products, raw materials and scrapped materials.

V. Other expenses and losses

For the six months ended 30 June 2018, the Group's other expenses and losses were RMB32 million, which mainly consisted of loss of fair value change of forward exchange contract that has not been settled and inventory impairment loss.

VI. Inventory

As at 30 June 2018, the inventory balance of the Group amounted to RMB4,476 million, decreased by RMB957 million or 17.61% from RMB5,433 million as at 31 December 2017. Fertilizers' seasonal characteristics, reflecting clearly in winter storage and spring sales, are very strong. The inventory turnover days in the first half of 2018 was 75 days*(Note)*, while that of the first half of 2017 was 77 days.

Note: Calculated on the basis of average inventory balance as at the end of the reporting period divided by cost of goods sold, and multiplied by 180 days.

VII. Trade and bills receivables

As at 30 June 2018, the balance of the Group's trade and bills receivables amounted to RMB1,477 million, increased by RMB1,241 million or 525.85% from RMB236 million as at 31 December 2017. This was mainly due to that the Group did not discount bills receivables as discount costs increased because of tight liquidity in China in the first half of 2018, and therefore the balance of bills receivables increased by RMB859 million compared to that at 31 December 2017. At the same time, the Group raised credit scales to clients with good credibility to promote sales, resulting in an increase of RMB382 million in the balance of trade receivables at 30 June 2018 compared to that at 31 December 2017. The turnover days of the Group's trade and bills receivables in the first half of 2018 was 12 days*(Note)*, slower than the 6 days in the same period of 2017.

Note: Calculated on the basis of average trade and bills receivables balance excluding bills discounted to banks as at the end of the reporting period divided by turnover, and multiplied by 180 days.

VIII. Interests in joint ventures

As at 30 June 2018, the balance of the Group's interests in joint ventures amounted to RMB397 million, increased by RMB11 million or 2.85% from RMB386 million as at 31 December 2017, which was mainly due to the fact that the fertilizer market was going up, and the performance of joint ventures was improved. In particular, the share of results of Three Circles-Sinochem was a profit of RMB4 million calculated by equity method, the share of results of Gansu Wengfu Chemical Co., Ltd. was a profit of RMB7 million.

IX. Interests in associates

As at 30 June 2018, the balance of the Group's interests in associates amounted to RMB496 million, decreased by RMB14 million or 2.75% from RMB510 million as at 31 December 2017. The share of results of Yangmei Pingyuan Chemical Co., Ltd. was a profit of RMB8 million, and the share of results of Guizhou Xinxin Industrial Group Holdings Limited ("Xinxin Group") and Guizhou Xinxin Coal Chemical Co., Ltd. ("Xinxin Coal Chemical") was a profit of RMB5 million. In the meantime, according to the result of judgement of the equity dispute between Sinochem Fuling , a subsidiary of the Group, and Xinxin Group and Xinxin Coal Chemical, Sinochem Fuling reduced long-term equity investment of RMB27 million.

X. Other equity securities (Available-for-sale investments under HKAS 39)

As at 30 June 2018, the balance of the Group's other equity securities amounted to RMB524 million, increased by RMB77 million or 17.23% from RMB447 million as at 31 December 2017, which was mainly due to that the Group recognized the fair value change of RMB79 million of the equity investment in Guizhou Kailing (Group) Co., Ltd., the first time that the Group adopted the HKFRS 9, *Financial Instruments*, and adjusted the opening balance of equity at 1 January 2018. The Group designated its investments in equity securities not held for trading as financial assets measured at FVOCI at 1 January 2018. For the impact of the changes in accounting policies, see Notes to Condensed Consolidated Financial Statements 2(b) for more details.

XI. Interest-bearing liabilities

As at 30 June 2018, the Group's interest-bearing liabilities amounted to RMB3,565 million, decreased by RMB1,553 million or 30.34% from RMB5,118 million as at 31 December 2017, which was mainly due to that the Group repaid some loans by using the cash obtained from the transfer of shares in Qinghai Salt Lake.

XII. Trade and bills payables

As at 30 June 2018, the balance of the Group's trade and bills payables amounted to RMB2,455 million, decreased by RMB998 million or 28.90% from RMB3,453 million as at 31 December 2017, which was mainly due to that settlement of goods by bills was largely decreased as the Group's current capital was abundant.

XIII. Other financial indicators

Basic earnings per share for the six months ended 30 June 2018 was RMB0.0448 and return on equity (ROE) for the six months ended 30 June 2018 was 4.35%, both increasing notably compared with those in the first half of 2017, which was mainly due to that the Group's performance was improved in the first half of 2018.

Table 3:

	For the six months ended 30 June	
	2018	2017
Profitability		
Earnings per share (RMB) *(Note a)*	**0.0448**	0.0018
ROE *(Note b)*	**4.35%**	0.16%

Notes:

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

b. Calculated on the basis of profit attributable to owners of the Company for the reporting period divided by total equity attributable to owners of the Company as at the end of the reporting period.

As at 30 June 2018, the Group's current ratio was 2.04, and the debt-to-equity ratio was 50.68%. The Group enjoyed relatively high banking facilities, its credit rating by Fitch Ratings raised from BBB+ to A- and it had diversified fund-raising methods. The Group maintained a stable financial structure through actively taking various operating measures while domestic funding conditions remained tight.

Table 4:

	As at 30 June 2018	As at 31 December 2017
Solvency		
Current ratio *(Note a)*	**2.04**	1.61
Debt-to-Equity ratio *(Note b)*	**50.68%**	77.23%

Notes:

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

b. Calculated on the basis of interest-bearing debt divided by total equity as at the end of the reporting period.

XIV. Liquidity and financial resources

The Group's principal sources of financing included cash, bank loans, proceeds from the issue of bonds. All the financial resources were primarily used for the Group's trading and distribution, production, repayment of liabilities and for related capital expenditures.

As at 30 June 2018, cash and cash equivalents of the Group amounted to RMB1,744 million, which was mainly denominated in RMB and US dollars.

Below is the analysis of interest-bearing liabilities of the Group:

Table 5:

	As at 30 June 2018 ***RMB'000***	As at 31 December 2017 *RMB'000*
Borrowings from Sinochem Group	**–**	1,500,000
Other loans	**68,000**	122,000
Bonds		
Principal amount	**3,500,000**	3,500,000
Less: unamortized transaction costs	**(3,290)**	(4,465)
Total	**3,564,710**	5,117,535

Table 6:

	As at 30 June 2018 ***RMB'000***	As at 31 December 2017 *RMB'000*
Carrying amount payable		
Within one year	**68,000**	122,000
More than one year, but within two years	**3,496,710**	4,995,535
Total	**3,564,710**	5,117,535

Table 7:

	As at 30 June 2018 ***RMB'000***	As at 31 December 2017 *RMB'000*
Fixed-rate borrowings	**3,564,710**	5,117,535
Variable-rate borrowings	**–**	–
Total	**3,564,710**	5,117,535

As at 30 June 2018, the Group had banking facilities equivalent to RMB21,847 million, including US$1,455 million and RMB12,220 million, respectively. The unutilized banking facilities amounted to RMB20,094 million, including US$1,387 million and RMB10,918 million, respectively.

The Group planned to repay the above loan liability with internal resources.

XV. Operation and financial risks

The Group's major operation risks include the following: considering the risks of potential changes in global trading policy, unexpected worsening of global financial situation, intensified geopolitical situation and natural disaster, etc., global economic prospect still faces with vulnerability; China's economy continues to face with huge pressure of economic downturn; with the resumption of value-added tax, the preferential rail freight for fertilizer phased out and environmental protection requirements more strict, the pressure from industrial restructuring and competition was further increased. Those were big challenges for the Group's production and management. The performance of the Group was improved over the same period of the previous year through actively taking measures to cope with material changes in business environment, which increased business confidence. On the one hand, the Group promoted strategic transformation, conducted a series of organizational reform and resource integration, and optimized production capacity structure; on the other hand, the Group explored and did researches on modern agricultural service platform with the Group's agriculture-related companies, pooled relevant resources in the industry, expanded the direction of agricultural development, improved sustainability, enhanced overall competitiveness and reduced the potential unfavorable impact of operating risk on financial performance of the Group.

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 represents unfavourable change in exchange rate that may have an impact on the Group's financial results and cash flow; interest rate risk represents the unfavourable change in interest rate that may lead to changes in the fair value of fixed rate borrowings and other deposit; and other price risk represents the Group's risk related to the value of equity investments, which mainly derived from investments in equity securities.

Majority of the Group's assets, liabilities and transactions are denominated in RMB, US dollars and HK dollars. Due to the presence of a certain scale of import and export business of the Group, the exchange rate fluctuations will have an impact on the cost of import and export prices, the management of the Group adopted prudent foreign exchange forward measures all the time and continued to monitor and control the above risks so as to mitigate the potential negative impact on the Group's financial performance.

Credit risks

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 comprehensive financial statement by counterparties on 60 June 2018. Once the management about credit risks is missing, bad debt losses may affect the normal running of the Group as a result of uncollectible accounts and unavailable inventory after advance payment. The Group had adequate monitoring procedures and corresponding measures in respect of granting credit, credit approval and other related aspects, reinforced credit process monitoring, investigated overdue risks and paid close attention to the production and operation activities of credit customers, attached higher importance to strategic and core customers and suppliers and allocated more credit resources to products with higher profit margin so as to ensure the timely follow-up of overdue debt; meanwhile, the Group checked individual trade loan recoveries at every settlement date to ensure adequate bad debt provision of unrecoverable accounts so as to mitigate credit risk.

Liquidity risk

Liquidity risk might lead to inadequate capital to meet the demand of daily working capital and repayment of maturing debt. Therefore, the Group took the following measures:

Regarding the management of liquidity risk, the management strengthened position management of ready cash, forecasted and strictly executed the fund plan to monitor and keep enough cash and cash equivalents, increased the scale of advance received in sales season to maintain adequate operating cash flow; reasonably allocated short and long-term demands, optimized capital structure to meet the demand of working capital and repayment of matured bonds.

XVI. Contingent liabilities

As at 30 June 2018, the Group had no contingent liabilities.

XVII. Capital commitment

Table 8:

	As at 30 June 2018	As at 31 December 2017
	RMB'000	*RMB'000*
Contracted but not provided for		
– Property, plant and equipment	**112,082**	24,408
Authorized but not contracted for		
– Property, plant and equipment	**1,616,616**	1,770,125
Total	**1,728,698**	1,794,533

The Group plans to finance the above capital expenditure by internal and external resources, and has no plans for other material investment or capital expenditures.

XVIII. Material investments

For the six months ended 30 June 2018, 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, annual incentive bonus, mandatory provident funds, state-managed retirement benefits scheme. The objective of the Group is to associate the interests of key employees with the performance of the Group and the interests of shareholders, as well as to achieve a balance of short-term and long-term benefits through a reasonable system. Meanwhile, the Group also aims at maintaining the competitiveness of the overall compensation. The level of cash compensation to employees offered by the Group varies with the importance of duties. The higher the importance of duties, the higher the ratio of incentive bonus to total remuneration. This can help the Group to recruit, retain and motivate high-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. The Remuneration Committee performs regular review on the emoluments of the Directors. No Director, or any of his/her associates, and executives is involved in deciding his/her own 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 2018, the Group had about 5,118 full-time employees (including those employed by the Group's subsidiaries), and their remuneration is determined with reference to market rates. No individual employee shall have the right to determine his/her own remuneration.

In addition to the basic remuneration, the Group also value the importance of training and career development of employees. In the first half of 2018, the Group provided around 950 person-times or around 11,000 hours of training (any training organized by the subsidiaries have not been included in these numbers). The training courses covered areas such as industrial development, strategy implementation, leadership enhancement, marketing management, operation and management, laws and regulations, finance, human resources management, safe production and general working skills. These training will further improve the management skills and professional standards of the management of the Group and enhance the overall quality of the employees to cater to the Group's rapid developments, and improve the competitiveness of the Group.

Other than those mentioned above, the Company had also arranged directors & officers' liability insurance which provides comprehensive protection for the Group's business by covering losses in relation to investigations or claims against the Company's Directors and the Group's officers.

The board of directors (the "Board") of Sinofert Holdings Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018 – unaudited

		Six months ended 30 June	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**13,037,313**	10,469,328
Cost of sales		**(11,951,385)**	(9,564,812)
Gross profit		**1,085,928**	904,516
Other income and gains		**146,738**	147,725
Selling and distribution expenses		**(456,534)**	(388,368)
Administrative expenses		**(305,804)**	(296,538)
Other expenses and losses		**(31,674)**	(29,167)
Share of results of associates		**(3,012)**	(130,109)
Share of results of joint ventures		**10,899**	(19,628)
Finance costs	*4(a)*	**(121,869)**	(175,960)
Profit before taxation	*4*	**324,672**	12,471
Income tax	*5*	**353**	(4,071)
Profit for the period		**325,025**	8,400
Profit for the period attributable to:			
– Owners of the Company		**314,923**	12,990
– Non-controlling interests		**10,102**	(4,590)
		325,025	8,400

		Six months ended 30 June	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Profit for the period		**325,025**	8,400
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		**(2,162)**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**30,422**	(43,254)
Changes in fair value of available-for-sale investments		**–**	(20,602)
Other comprehensive income for the period		**28,260**	(63,856)
Total comprehensive income for the period		**353,285**	(55,456)
Total comprehensive income attributable to:			
– Owners of the Company		**343,183**	(50,866)
– Non-controlling interests		**10,102**	(4,590)
		353,285	(55,456)
Earnings per share	*6*		
Basic (RMB)		**0.0448**	0.0018
Diluted (RMB)		**0.0448**	0.0018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018 – unaudited

	Note	**At 30 June 2018** *RMB'000*	At 31 December 2017 *RMB'000*
Non-current assets			
Property, plant and equipment		**2,393,484**	2,427,511
Lease prepayments		**481,182**	487,703
Mining rights		**562,647**	579,077
Goodwill		**831,641**	829,075
Other long-term assets		**38,855**	13,310
Interests in associates		**495,598**	509,912
Interests in joint ventures		**396,573**	385,674
Available-for-sale investments		**–**	447,252
Other equity securities		**524,137**	–
Other financial assets		**116,420**	–
Prepayments for acquisition of property, plant and equipment		**72,557**	49,467
Deferred tax assets		**18,300**	17,702
		5,931,394	5,746,683
Current assets			
Inventories		**4,475,716**	5,433,138
Trade and bills receivables	*8*	**1,476,602**	235,991
Other receivables and prepayments		**1,380,894**	1,883,056
Loans to an associate		**670,000**	670,000
Lease prepayments		**13,810**	13,810
Other financial assets		**180,000**	–
Bank balances and cash		**1,743,652**	286,816
Assets held for sale	*9*	**–**	8,048,139
		9,940,674	16,570,950
Current liabilities			
Trade and bills payables	*10*	**2,455,131**	3,452,676
Other payables and receipt in advance		**779,941**	6,715,129
Contract liabilities		**1,548,346**	–
Interest-bearing borrowings – due within one year		**68,000**	122,000
Tax liabilities		**15,472**	12,333
		4,866,890	10,302,138
Net current assets		**5,073,784**	6,268,812
Total assets less current liabilities		**11,005,178**	12,015,495

	Note	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Non-current liabilities			
Interest-bearing borrowings – due after one year		**3,496,710**	4,995,535
Deferred income		**79,812**	86,413
Deferred tax liabilities		**221,306**	207,912
Other long-term liabilities		**174,223**	98,523
		3,972,051	5,388,383
NET ASSETS		**7,033,127**	6,627,112
CAPITAL AND RESERVES			
Issued equity		**8,267,384**	8,267,384
Reserves		**(1,026,486)**	(1,428,954)
Total equity attributable to owners of the Company		**7,240,898**	6,838,430
Non-controlling interests		**(207,771)**	(211,318)
TOTAL EQUITY		**7,033,127**	6,627,112

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

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 consolidated financial statement have been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of the condensed consolidated financial statement in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

2. CHANGES IN ACCOUNTING POLICIES

(a) Overview

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

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of revenue recognition and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9 and/or HKFRS 15:

	At 31 December 2017	Impact on initial application of HKFRS 9 *(Note 2(b))*	Impact on initial application of HKFRS 15 *(Note 2(c))*	At 1 January 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale investments	447,252	(447,252)	–	–
Other equity securities	–	526,299	–	526,299
Total non-current assets	**5,746,683**	**79,047**	**–**	**5,825,730**
Contract liabilities	–	–	(3,481,748)	(3,481,748)
Other payables and receipt in advance	(6,715,129)	–	3,481,748	(3,233,381)
Total current liabilities	**(10,302,138)**	**–**	**–**	**(10,302,138)**
Net current assets	**6,268,812**	**–**	**–**	**6,268,812**
Total assets less current liabilities	**12,015,495**	**79,047**	**–**	**12,094,542**
Deferred tax liabilities	(207,912)	(19,762)	–	(227,674)
Total non-current liabilities	**(5,388,383)**	**(19,762)**	**–**	**(5,408,145)**
Net assets	**6,627,112**	**59,285**	**–**	**6,686,397**
Reserves	(1,428,954)	59,285	–	(1,369,669)
Total equity attributable to equity shareholders of the company	**6,838,430**	**59,285**	**–**	**6,897,715**
Total equity	**6,627,112**	**59,285**	**–**	**6,686,397**

Further details of these changes are set out in sub-sections (b) and (c) of this note.

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

	RMB'000
Retained earnings	
Transferred to fair value reserve (non-recycling) relating to equity securities now measured at fair value through other comprehensive income (FVOCI)	89,958
Fair value reserve (non-recycling)	
Transferred to fair value reserve (non-recycling) relating to equity securities now measured at FVOCI	79,047
Related tax	(19,762)
Transferred from retained earnings relating to equity securities now measured at FVOCI	(89,958)
	(30,673)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at FVOCI and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories of the Group's investments in equity securities under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	Reclassification	Remeasurement	HKFRS 9 carrying amount at 1 January 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets measured at FVOCI (non-recyclable)				
Other equity securities *(note)*	–	447,252	79,047	526,299
Financial assets classified as available-for-sale under HKAS 39 ***(note)***	447,252	(447,252)	–	–
Deferred tax liabilities	(207,912)	–	(19,762)	(227,674)

Note: Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its investments in equity securities not held for trading at FVOCI (non-recycling), as these investments are held for strategic purposes.

The measurement categories for all financial liabilities remain the same.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit losses (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, loans to associates and other financial assets);

Financial assets measured at fair value, including equity securities designated at FVOCI (non-recycling) and other financial assets, are not subject to the ECL assessment.

Opening balance adjustment

Based on an assessment, this change in accounting policy does not have a significant impact on accumulated losses as compared with that recognised under HKAS 39 and no additional ECLs has been recognised by the Group at 1 January 2018.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  – the determination of the business model within which a financial asset is held; and

  – the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has made an assessment on the cumulative effect of initial application. No cumulative effect has been recognised as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sale of goods.

(ii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the group has an unconditional right to consideration. If the group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, "Receipt in advance" amounting to RMB3,481,748,000 at 1 January 2018, which were previously included in other payables and receipt in advance are now included under contract liability, as a result of the adoption of HKFRS 15.

(d) HK(IFRIC) 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the group.

3. REVENUE AND SEGMENT REPORTING

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines and geographical location of customers is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products of service lines		
– Sales of potash fertilizer	**2,924,662**	2,368,008
– Sales of nitrogen fertilizer	**2,899,981**	2,155,801
– Sales of compound fertilizer	**3,377,005**	2,903,046
– Sales of phosphate fertilizer	**2,666,663**	2,099,110
– Sales of monocalcium/dicalcium phosphate	**434,334**	419,978
– Sales of other products	**734,668**	523,385
	13,037,313	10,469,328
Disaggregated by geographical location of customers		
– Mainland China	**12,634,526**	9,966,414
– Others	**402,787**	502,914
	13,037,313	10,469,328

All revenue from contracts with customers is recognised at point in time.

(b) Segment reporting

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 2018				
	Basic Fertilizers *RMB'000*	**Distribution** *RMB'000*	**Production** *RMB'000*	**Elimination** *RMB'000*	**Total** *RMB'000*
Revenue from external customers	**8,641,465**	**3,307,340**	**1,088,508**	**–**	**13,037,313**
Inter-segment revenue	**204,149**	**3,289**	**968,812**	**(1,176,250)**	**–**
Reportable segment revenue	**8,845,614**	**3,310,629**	**2,057,320**	**(1,176,250)**	**13,037,313**
Segment gross profit	**554,585**	**293,171**	**238,172**	**–**	**1,085,928**
Segment profit/(loss)	**425,873**	**65,959**	**(26,866)**	**–**	**464,966**
Share of results of associates					**(3,012)**
Share of results of joint ventures					**10,899**
Unallocated expenses					**(75,222)**
Unallocated income					**48,910**
Finance costs					**(121,869)**
Profit before taxation					**324,672**

	For the six months ended 30 June 2017				
	Basic Fertilizers *RMB'000*	Distribution *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue from external customers	6,674,346	2,734,773	1,060,209	–	10,469,328
Inter-segment revenue	211,241	831	821,863	(1,033,935)	–
Reportable segment revenue	6,885,587	2,735,604	1,882,072	(1,033,935)	10,469,328
Segment gross profit	470,753	233,499	200,264	–	904,516
Segment profit/(loss)	359,916	50,763	(43,483)	–	367,196
Share of results of associates					(130,109)
Share of results of joint ventures					(19,628)
Unallocated expenses					(78,018)
Unallocated income					48,990
Finance costs					(175,960)
Profit before taxation					12,471

The accounting policies of the operating segments are the same as the Group's accounting policies.

Segment profit/(loss) represents the profit earned/(loss) made by each segment without taking into account of share of results of associates and joint ventures, unallocated expenses/income and finance costs. This is the measure reported to the Group's chief operating decision maker ("CODM") for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at market prices between group entities.

Given the production and trading of fertilizers are closely linked, the CODM considered segment assets and liabilities information was not relevant in assessing performance of and resources allocation to the operating segments. Such information was not reviewed by the CODM. As such, no segment assets and liabilities are presented.

4. PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Interest on borrowings		
– wholly repayable within five years	**122,384**	176,796
Less: interest expense capitalized *(note)*	**(515)**	(836)
	121,869	175,960

Note: The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation related to construction of plant is 5% for the current period (the corresponding period in 2017: 5%).

(b) Other items

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Depreciation and impairment losses of property, plant and equipment	**129,621**	160,669
Amortisation of lease prepayments	**6,521**	6,517
Amortisation of mining rights	**16,430**	16,117
Amortisation of other long-term assets	**2,209**	3,195
Release of deferred income	**(6,601)**	(10,913)
Impairment of trade receivables	**379**	–
Inventory write-down, net of reversals	**(7,033)**	(55,179)
Adjustment to consideration payable	**–**	18,563
(Gain)/Loss on disposal of property, plant and equipment	**(4,993)**	448

5. INCOME TAX

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Current tax – Hong Kong Profits Tax	**–**	–
Current tax – PRC Enterprise Income Tax	**6,613**	6,890
Deferred taxation	**(6,966)**	(2,819)
	(353)	4,071

(i) The provision for Hong Kong Profits Tax is calculated by applying at 16.5% (2017: 16.5%) of the estimated assessable profits for the six months ended 30 June 2018.

(ii) The provision for the PRC Enterprise Income Tax is based on the statutory rate of 25% (2017: 25%) on the estimated taxable profits determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain subsidiaries of the Group which enjoy a preferential tax rate according to related tax policies.

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

6. EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Profit attributable to owners of the Company		
Profit for the purpose of basic earnings per share	**314,923**	12,990
	'000 shares	*'000 shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,024,456**	7,024,456

The Group has no dilutive ordinary shares outstanding for the period ended 30 June 2018. Therefore, there was no difference between basic and diluted earnings per share.

7. DIVIDENDS

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2018 (the corresponding period in 2017: nil).

As the Group did not declare the final dividend for the year ended 31 December 2017, no final dividend was paid during the six months ended 30 June 2018 (the corresponding period in 2017: nil).

8. TRADE AND BILLS RECEIVABLES

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Trade receivables	**428,212**	46,565
Bills receivables	**1,049,981**	190,638
Less: allowance for doubtful debts	**(1,591)**	(1,212)
Trade and bills receivables	**1,476,602**	235,991

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 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Within 3 months	**1,134,037**	158,989
Over 3 months but within 6 months	**322,330**	72,608
Over 6 months but within 12 months	**16,599**	158
Over 12 months	**3,636**	4,236
	1,476,602	235,991

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.

9. ASSETS HELD FOR SALE

Pursuant to the share transfer agreement between Sinochem Fertilizer, a subsidiary of the Group, and Sinochem Group dated 24 October 2017, Sinochem Fertilizer agreed to sell and Sinochem Group agreed to purchase all the shares of Qinghai Salt Lake held by Sinochem Fertilizer, representing 20.52% of its total issued share capital of Qinghai Salt Lake, at a consideration of RMB8,063,198,000. The transaction has been approved by the independent shareholders of the Company and State-owned Assets Supervision and Administration Commission of the State Council of the PRC in December 2017. Accordingly, the Company classified investment in Qinghai Salt Lake from interests in associates to assets held for sale as at 31 December 2017.

As at 30 June 2018, the transaction has been completed.

10. TRADE AND BILLS PAYABLES

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
Trade payables	**1,539,729**	1,455,851
Bills payables	**915,402**	1,996,825
Trade and bills payables	**2,455,131**	3,452,676

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 2018	At 31 December 2017
	RMB'000	*RMB'000*
Within 3 months	**1,698,968**	1,832,456
Over 3 months but within 6 months	**675,644**	741,346
Over 6 months but within 12 months	**27,788**	825,112
Over 12 months	**52,731**	53,762
	2,455,131	3,452,676

INTERIM DIVIDEND

The Board did not recommend the declaration of interim dividend for the six months ended 30 June 2018.

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 2018, 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 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as 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. The Company has made specific enquiries with all directors of the Company, and all directors confirmed that they had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2018.

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

CORPORATE GOVERNANCE STANDARDS

Recognizing the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, the Company is committed to maintaining a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practices on corporate governance, and complies with the applicable corporate governance standards contained in relevant code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2018 and up to the date of this announcement, except for the deviations from the code provisions A.1.7 and E.1.2 as described below.

The code provision A.1.7 stipulates that, if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting. During the period and up to the date of this announcement, the Board approved certain connected transactions and continuing connected transactions by circulation of written resolutions in lieu of physical board meeting, for which certain directors who are nominated by the ultimate controlling shareholders of the Company, were regarded as having material interests therein. The Board considered that the adoption of written resolution in lieu of physical board meeting allowed the Board to make a decision relatively quicker in response to the rapid change in the fertilizer markets. Before formal execution of the written resolution, the directors (including the independent non-executive directors) had discussed the matters via emails and made amendments to the transactions as appropriate.

The code provision E.1.2 provides that, among others, the chairman of the board should attend the annual general meeting of the listed issuer. In the annual general meeting of the Company held on 7 June 2018 (the "2018 AGM"), Mr. Zhang Wei, Chairman of the Board, did not chair the meeting due to other essential business engagements. In order to ensure smooth holding of the 2018 AGM, the Chairman of the Board authorized and the directors attended the meeting elected Mr. Harry Yang, the executive director of the Company, to chair the meeting on behalf of the Chairman of the Board. Respective chairmen and/or members of the audit, remuneration, nomination and corporate governance committees of the Company were present at the 2018 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 2017 annual report for more information about the corporate governance of the Company.

BOARD OF DIRECTORS

As at the date of this announcement, the executive directors of the Company are Mr. Qin Hengde (Chief Executive Officer) and Mr. Harry Yang; the non-executive directors of the Company are Mr. Zhang Wei (Chairman) and Mr. Yang Lin; and the independent non-executive directors of the Company are Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius.

For and on behalf of the Board
SINOFERT HOLDINGS LIMITED
Qin Hengde
Executive Director and Chief Executive Officer

Hong Kong, 30 August 2018

* For identification purposes only