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 2012

FINANCIAL HIGHLIGHTS

- The Group's turnover was RMB22,537 million for the current period, up by 22.01% year on year
- Profit attributable to shareholders for the current period was RMB546 million, up by 9.93% year on year, excluding the effect of the change in fair value in derivative component of convertible loan notes, up by 21.53%
- Basic earnings per share for the current period was RMB0.0777, up by 9.91% year on year
- The Board did not recommend the declaration of interim dividend for the six months ended 30 June 2012

CHAIRMAN'S STATEMENT

Dear Shareholders,

Hereby I present to all the shareholders the interim results of Sinofert Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2012.

During the first half of 2012, the international and domestic economic situation was rigorous, yet for the fertilizer industry, China's modern agricultural development accelerated and the overall fertilizer market progressed steadily. In this environment, the Group strengthened its traditional edge, sped up innovation and transformation, grasped the market opportunities, and steadily improved its operational performance, the total sales volume in the first half of 2012 increased to 9.05 million tons, up by 7.82% compared to the same period in 2011; the Group's sales revenue was RMB22,537 million, up by 22.01% year on year; the profit attributable to shareholders was RMB546 million with an increase of 9.93% compared to the same period in 2011, excluding the effect of the change in fair value in derivative component of convertible loan notes, up by 21.53%; the cash from operating activities was RMB863 million. Meanwhile, the Group strove constantly to improve its operation connotation. First of all, the equilibrium profit-making model of contribution was continuously consolidated, profit contributed by its subsidiaries increased, and the operational effectiveness reached a historic high; secondly, the Group strengthened the solid foundation of its trading and marketing business, and carried on reform and innovation, and consolidated strategic alliances with major international suppliers in potash and compound fertilizer imports as well as DAP imports from Morocco and Tunisia, the Group maintained its profit contribution and market edge, while the profit contributed by domestic fertilizer increased; thirdly, through the acquisition of Xundian Lomon Phosphorus Chemical Co., Ltd with 300 million tons of premier phosphate resources, the Group achieved a breakthrough on resource strategy, a smooth transition and earnings in the current period.

In the second half of 2012, with the risk of a relatively large economic slowdown risk and increasing uncertain factors, a rapid recovery in the global economy is unlikely; as China's economy growth is slowing down, "steady growth" becomes the primary goal. However, in the big context of the sluggish global economy, the fundamentals of agricultural products are promising, the government has increased its support for the "Three Rural Issues", and the progress in China's modern agriculture has sped up. All of these will bring opportunities to the fertilizer industry.

Confronted with a complex market environment, the Group will strictly control the operational risks, make a targeted operational strategy and endeavour to increase the performance contribution of the current year. At the same time, the Group will accelerate the progress in innovation and transformation, further push forward its six major strategies of "Marketing, Industry, Resource, Science and Technology, Information, Human Resource", and foster its core competencies for the future so as to build a solid foundation for the Group's sustainable development in the long run. The Group will carry forward the customer-oriented marketing service strategy by seeking a breakthrough in marketing and distribution network innovation; insist on promoting the industrial development strategy for advanced manufactures by its subsidiaries' management improvement, technological upgrading, cost reduction and efficiency improvement as well as safe production; promote its resource acquisition strategy with a global vision by seeking breakthrough in acquiring coal, natural gas, potash and other resources; carry forward its scientific and technological innovation strategy of service industry by grasping opportunities created by modern agriculture and China's independent innovation and embarking on a road of intensive development; push forward the information assurance strategy leading the transformation by establishing an information industrial chain; strengthen the human resource strategy as an engine for development by introducing talents and building teams.

With the changes to China's agricultural development model, the fertilizer industry is in urgent need of transformation and upgrading so as to embark on a road of intensive development. The Group will adhere to the vision of "becoming a global leading provider for agricultural inputs and agrichemical services", continue to follow through on its responsibility concept of "Serve to the Three Rural Issues, Strengthen Agriculture and Benefit Farmers", and be committed to creating values for the shareholders, customers, the society and its employees.

Finally, on behalf of the board of the directors, I would like to take this opportunity to extend our heartfelt appreciations to all the shareholders, customers, the management and the employees of the Group. We hope to have your continuous attention and support. The Group's management and employees will bear in mind our mission, keep our passion, be devoted to innovations and entrepreneurship and make great contribution to the continuous development of Sinofert.

Liu De Shu
Chairman of the Board

Hong Kong, 23 August 2012

MANAGEMENT REVIEW AND PROSPECT

In the first half of 2012, the international economic situation was complicated, the economy of Eurozone was in recession, the economy of United States. underwent a slow recovery, other emerging economies had a limit growth influenced by the Europe and United States, and the prices of energy and resource continued to fall and fluctuated dramatically. At the same time, domestic economy exhibited an obvious downward trend; IMF estimated that China's annual economic growth would be below 8%. Yet against the rather complex domestic and international economic environment, the overall demand of fertilizer market remained at a steady speed.

Faced with the market environment in the first half of 2012, under the leadership of the Group's board of directors, with the guidance of the "12th Five-Year Plan", taking the opportunity of developing modern agriculture, the Group firmly implemented the guiding philosophy of enriching its operation connotation, consolidating the management base and improving the profitability; constantly carried on innovation of marketing, technology and management; deepened the transformation and further promoted its six major strategies of "Marketing, Industry, Resource, Science and Technology, Information, and Human Resource" so as to build the core competencies and realize the sustainable development of the Group.

Financial Highlights

For the six months ended 30 June 2012, the Group achieved 2.02 million tons of production capability, up by 7.44% year on year; total sales volume of 9.05 million tons, up by 7.82% compared to the same period in 2011, turnover of RMB22,537 million, up by 22.01% year on year; and profit attributable to shareholders of RMB546 million with an increase of 9.93% compared to the same period in 2011, excluding the effect of the change in fair value in derivative component of convertible loan notes, up by 21.53%.

Marketing Business

In the first half of 2012, the government of China was further committed to the policy of "strengthening agriculture, benefiting and enriching farmers", continuously carried out direct subsidies to farmers, comprehensive agricultural subsidies, subsidies for planting superior seed varieties as well as arm machinery purchase subsidies. Price floors on wheat and rice purchases were increased. In the form of No. 1 Central Document, the Group advocated agricultural technology, further promoted agricultural modernization, industrialization and urbanization, kept grain production capacity at 525 million tons, collectively promoted a relatively quick growth in farmer's income, and continuously improved its ability to support the supply of agricultural products.

In the context of this favourable agricultural macro-economic environment, the Group conformed to the development trend of China's agricultural industry, enhanced its market analysis and forward-looking anticipation, monitored closely the changes in supply and demand and strengthened marketing services and customer development. In the first half of 2012, sales volume of marketing business increased to 7.99 million tons, up by 8.87% compared to the same period of last year; turnover of the Group was RMB19,531 million, up by 22.63% year on year; gross profit was RMB871 million, up by 10.05% compared to the same period in 2011.

In the first half of 2012, the development of distribution network focused more on the intensive development. 50 of the existing 2,110 distribution centres were optimized. Meanwhile, new channels for the distribution network were actively explored, direct sales service was provided to large growers, and comprehensive services such as soil testing, formula fertilization, demonstration, and guidance were provided; service support capabilities were strengthened through close cooperation with local government agencies; and customer management was continuously enhanced, as business with grass-root customers steadily increased.

Production

This year was the second year of the "12th Five-Year Plan", the fertilizer industry proceeded along the pre-established development direction of "improving industrial concentration, promoting the technological advancement", actively promoting the coal gasification technology, focusing on the application of new technologies such as low-cost coal, and high-sulphur coal pressure gasification, focusing on developing and promoting the technologies related to mid-low grade phosphate rock acid-making, phosphate acid purification as well as sulphuric phosphate waste heat utilization.

In the first half of 2012, the Group conformed to the development trend laid down in the "12th Five-Year Plan", the production volumes, sales volumes and profits for all subsidiaries took on a growing momentum, hitting historic highs compared to the same period in 2011. As at 30 June 2012, output of 2.02 million tons was completed, up by 7.44% year on year; and profit before tax reached RMB215 million, up by RMB203 million. Through strengthening management, all the major consumption indicators of subsidiaries decreased: coal consumed per RMB10,000 worth of production was 2.14 tons, down by 14% compared to the same period in last year; SO_2 (sulfur dioxide) emission per RMB10,000 worth of production was 2,446 tons, down by 7% year on year.

In order to significantly improve the control levels of the Group's subsidiaries, the first stage of a safety production control platform – the Safety Production Information Platform Construction was completed in the first half of 2012, an information management system was initially formed in terms of the enterprise comprehensive management, safety management, operational management, equipment management, technology management, environment protection, energy conservation and emissions reduction, the management of safety production information was generally achieved in real time. At the same time, benchmarking management and the activity with the theme of "Equipment Defect Reduction, Civilized Production Improvement" were vigorously carried out. As a result, rectification and reform ratios for hidden equipment failures reached more than 90%, production stability was obviously improved, the urea output of Sinochem Pingyuan Chemical Co,. Ltd ("Sinochem Pingyuan") was stabilized at 2,900 tons per day, and the urea output of Sinochem Jilin Changshan Chemical Co,. Ltd ("Sinochem Changshan") was stabilized at 920 ton per day, both of which were substantially improved compared with the same period in 2011. Furthermore, 300,000 tons per year coal ball to coal stick project of Sinochem Pingyuan was commissioned smoothly, which helped to expand raw material sources and reduce the production costs.

In light of its industrial development philosophy for advanced manufacturing, centred around the areas with existing industrial advantages, the Group insisted on technological upgrading, embarked on a road of intensive development, cost reduction and efficiency improvement, and enhanced the industrial competitiveness. In June 2012, the energy-saving and consumption-reducing rebuilding and expansion project for urea production units of Sinochem Changshan was officially approved. The total investment will be RMB1,198 million and the construction will take two years. After this project is put into production, synthetic ammonia and urea production capacity will increase to 0.36 million tons per year and 0.60 million tons per year respectively.

Resource Acquisition

In the first half of 2012, although the global economy weakened, and the prices of energy and resources declined generally, the price of phosphate rock at home and abroad was still strong, by the end of June 2012, the price of domestic phosphate rock reached RMB675 (Cost and Freight) per ton, up by 16% compared with the beginning of this year, the price abroad also kept high at US$180 per ton (FOB).

At the beginning of 2012, the Group grasped the opportunity to invest RMB1.38 billion to acquire a 100% equity stake in Xundian Lomon Chemical Co., Ltd ("Xundian Lomon"), obtained 300 million tons in phosphate resources, became one of the leading enterprises with phosphate resource. Besides that, it could further exploit phosphate resources in the southwest China, which lay a foundation of the Group's sustainable development. From the acquisition to 30 June, the management transition was completed smoothly, this subsidiary realized profits of RMB35 million for the Group.

Internal Control and Management

The Group attaches great importance to internal control and management. Apart from the special committees of the board, the Group also set up seven special management committees including risk management committee, vigorously promoted the internal control and risk management system of "oriented by risk management, and strengthened by internal control" within the scope authorized by the board. Risk cultural building was continuously intensified; every risk indicators incorporated into hierarchy of its evaluation system, the responsibility system was emphasized, and the employees' enthusiasm was fully motivated. Good corporate governance structures and process systems have become the cornerstone of internal control and risk management.

The Group's internal control and risk management systems were standardized by "Enterprises Risk Management – Integrated Framework" issued by The Committee of Sponsoring Organizations of the Treadway Commission in United States and an "Internal Control and Risk Management – A Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants, combined with "the Enterprise Internal Control Basic Standard" and related guidelines issued by the Ministry of Finance and four other PRC ministries. Risk identification and evaluation work were carried out regularly. The Group implemented risk-alerting management system and differentiated coping strategy. To different operation units such as distribution network and subsidiaries, differentiate risk implementing maps and application plans were carried out.

Through the above series of corporate governance activities, the Group better coped with the changes in the operation environment at home and aboard, corporate strategic transformation was supported, shareholders' interests, assets safety and strategic implementation were intelligently secured.

Corporate Social Responsibility

The Group always adheres to the corporate mission of "Serve to Agriculture, Farmers, and the Countryside, Strengthen Agriculture and Benefit Farmers", by means of a self-built distribution network spread over the major agricultural provinces and counties, with the objective of end-users, the Group cooperated with the Ministry of Agriculture and promoted a focus on the social public welfare, through measures inducing, soil testing, farmers field schools, “Double-growth 200” of northeast corn etc.. In the first half of 2012, grassroots agrochemical service events were constantly held for a total of over 766 activities, 110 farmers field schools were built, and over 200 training activities were organised. The activity “Sinochem Corn King Challenge” was co-organized with the Ministry of Agriculture, 28 demonstration counties were chosen to establish over 42 demonstration villages in order to support the demonstration work in “Double-growth 200” corn technology campaign in northeast China, at the same time, 50,000 copies of “Technological Booklets for High-yield Corn” were co-published with the Ministry of Agriculture, 100,000 corn high-yield technology posters for the purposes of grassroots training and publicity. Promotional cooperation with three north-eastern provincial TV stations was realized, which directly benefited over one million farmers.

In addition, the Group was the first to open a 800 free hotline and 400 customer service system. The Group hired professors specializing in plant nutrition, fertilizer, and plant protection answer the farmer’s questions on planting and applying fertilizer online year round and then placed all the questions and answers into articles broadcasted on a public program – Sinochem Agri-Plaza co-sponsored with China National Radio. Audiences benefited in total were up over 1.8 billion. The press cooperation with “Farmer Daily”, “Agricultural Herald” and another three rural-facing and agriculture-facing media, for which a year long “agro-chemical service specific column” was composed, becoming an “instruction manual” guidance to directly provide farmers and agro-dealers with scientific farming and fertilization.

Outlook

In the second half of the year and near future, global grain consumption will steadily increase, meanwhile United States, Europe, Australia, India and other countries were severely affected by the natural disasters, putting heavy pressure on the global food supply. It is estimated that the global food supply and demand will remain a tight balance for a certain period in the future.

After China’s industrialization entered into mid-late phase, the urbanization rate was over 50%, and China’s agricultural modernization went into acceleration. Modern agriculture is an important engine for China’s future economic development. In the coming years, the central government will continue to strengthen policies aimed at supporting and benefiting “Agriculture, Rural Areas and the Farmers”, increase agricultural input, improve the infrastructures, promote the steady development of agriculture and constant income increases for farmers. The long-term picture of agricultural development remains positive. Enterprises which are tackling agricultural modernization and are actively transforming will benefit from this process.

In the second half of 2012, the Group will continue to promote the pre-established development strategies, insist on the strategy of customer-oriented marketing service strategy as well as its industrial development strategy of advanced manufacturing, the strategy of resources acquisition with a global perspective, the strategy of technological innovation serving to the industry, the strategy of talent engine to promote the development, and the strategy of information guarantee to guide the transformation. The Group will take full advantage of its comprehensive competitiveness, improve its ability of sustainable development, and achieve each of its operating objectives for 2012 to create value for shareholders and contribute more to national food security and agricultural development.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2012, sales volume of the Group was 9.05 million tons, and turnover was RMB22,537 million, up by 7.82% and 22.01%, respectively, from the corresponding period in 2011.

For the six months ended 30 June 2012, gross profit of the Group was RMB1,469 million, up by 26.59% from the corresponding period in 2011; profit attributable to shareholders of the Company was RMB546 million, up by 9.93% from RMB496 million for the six months ended 30 June 2011, excluding the effect of the change in fair value in derivative component of convertible loan notes, up by 21.53%.

I. Operation Scale

1. Sales Volume

For the six months ended 30 June 2012, sales volume of the Group was 9.05 million tons, up by 7.82% over the corresponding period in 2011. While consolidating its advantage in integrated upstream, middle stream and downstream operations, the Group constantly promoted innovation and transformation, and gradually improved its business and operation models, through which the Group achieved in the first half of 2012, sales volumes of 6.75 million tons in domestic fertilizers, up 8.42% over the corresponding period of 2011, and sales volume in imported fertilizer of 1.94 million tons, basically flat over the corresponding period of 2011.

From the point of product structure, potash fertilizer business of the Group continued to grow steadily and sea-borne potash remained strongly competitive in particular, with sales volume up by 4.10% over the corresponding period in 2011; phosphate fertilizer business realized 33.39% growth in sales volume over the corresponding period of time by strengthening the cooperation with core supplier alliance and stabilizing supply from the Group's subsidiaries and joint ventures; compound fertilizer businesses grew by 8.26% in sales volume over the corresponding period of 2011 by taking advantage of the benefits of the whole industry chain, with stable supply from subsidiaries of the Group in upstream and a strong distribution network to enlarge sales volume in downstream. Nitrogen fertilizer business increased slightly year on year.

2. Turnover

For the six months ended 30 June 2012, turnover of the Group was RMB22,537 million, up by RMB4,065 million, or 22.01% over the corresponding period of 2011 with a higher growth rate than that of sales volume. The main reason for the growth in turnover was that the average selling price of the Group increased by 13.16% over the corresponding period of 2011, under the influence of the prices of fertilizer prices increased steadily during the first half of 2012.

The breakdown of turnover by product of the Group for the six months ended 30 June 2012 is as follows:

Table 1:

	For the six months ended 30 June			
	2012		2011	
	Turnover	**As percentage of total turnover**	Turnover	As percentage of total turnover
	RMB'000	*%*	*RMB'000*	*%*
Potash Fertilizers	**5,354,864**	**23.76%**	4,718,641	25.55%
Nitrogen Fertilizers	**7,668,864**	**34.03%**	6,497,350	35.17%
Compound Fertilizers	**3,452,635**	**15.32%**	2,873,403	15.56%
Phosphate Fertilizers	**5,236,202**	**23.23%**	3,722,492	20.15%
Others	**824,180**	**3.66%**	659,905	3.57%
Total	**22,536,745**	**100.00%**	18,471,791	100.00%

3. ***Turnover and Result by Segment***

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

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

Table 2:

	For the six months ended 30 June 2012		
	Marketing	**Production**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Turnover			
External sales	**19,241,347**	**3,295,398**	**22,536,745**
Segment gross profit	**871,235**	**597,817**	**1,469,052**
Segment profit	**409,293**	**303,892**	**713,185**

	For the six months ended 30 June 2011		
	Marketing	Production	Total
	RMB'000	*RMB'000*	*RMB'000*
Turnover			
External sales	15,736,858	2,734,933	18,471,791
Segment gross profit	791,704	368,820	1,160,524
Segment profit	424,377	119,792	544,169

Segment profit represents the profit earned by each segment without unallocated expenses/income, the changes in fair value for derivative instruments or finance costs. It is the measure reported to the chief operating decision maker for the purpose of resources allocation and assessment of segment performance.

The Group's results for the six months ended 30 June 2012 increased by RMB169 million, or went up by 31.06% over the corresponding period of 2011, as a result of the increasing Chinese domestic fertilizer prices. For the six months ended 30 June 2012, the Marketing Segment realized profits of RMB409 million, down by RMB15 million or 3.55% over that of RMB424 million for the corresponding period in 2011. The reason for the decrease was mainly due to the increasing logistics cost of the Group's Marketing Segment caused by the overall increase of domestic logistics costs. The Production Segment realized profits of RMB304 million, up by RMB184 million or 153.68% over that of RMB120 million over the corresponding period of 2011. The reason for the increase was mainly that the Group seized the favourable market opportunities of good market in the first half of 2012, continuously insisted on technological renovation, cost reduction and efficiency improvement, greatly improved production efficiency, and realized stable and high production volumes for the production subsidiaries, all of which led significant increases in profits of the Production Segment over the corresponding period of 2011.

II. Profit

1. Gross profit

For the six months ended 30 June 2012, gross profit of the Group was RMB1,469 million, up by RMB309 million over the corresponding period of 2011.

The Group adopted different strategies to develop different products. In potash fertilizer business, the market kept stable and the gross profit increased by 9.88% with the gross margin basically flat over last year, through steady potash supply and strong marketing promotion. In nitrogen fertilizer business, the gross margin increased by 1.9% over that of 2011, with the gross profit up by 84.68%. The reason was mainly due to seizing the price rising opportunities in the first half of 2012 and taking full advantage of comprehensive competitive edges in integration of production and sales, combination of trade and distribution and unification of international and domestic business of the Group; in compound fertilizer business, sales volume increased and gross profit was gradually improved through integrating the Group's compound companies to fully achieve economies of scale and promoting differentiated operations among the Group's distribution network; in phosphate fertilizer business, the gross profit increased by 12.78% through seizing the market opportunities through steady supply from the Group's subsidiaries and joint ventures of the Group. However, sales volume of imported phosphate fertilizer decreased since the shipping date of imported phosphate was delayed, which led to the slight decrease of the overall gross margin of phosphate.

In summary, the gross profit for each category of products of the Group was steadily improved.

2. ***Share of results of jointly controlled entities and associates***

Share of results of jointly controlled entities: For the six months ended 30 June 2012, share of results of jointly controlled entities of the Group were basically flat over the corresponding period in 2011, including a total profit of RMB41 million in shares from Yunnan Three-Circle Sinochem Fertilizer Co., Ltd. ("Yunnan Three-Circles"), Yunnan Three Circle-Sinochem-Mosaic Fertilizer Co. Ltd. and Gansu Wengfu Chemical Co., Ltd..

Share of results of associates: For the six months ended 30 June 2012, share of results of associates of the Group amounted to RMB120 million, down by RMB26 million or 17.74% over that of RMB146 million during the corresponding period of 2011. The reason was mainly that the phase I of comprehensively utilized chemicals project of Qinghai Salt Lake Industry Co., Ltd. ("Salt Lake Industry") was still in pilot production phase, and economies of scale could not be realized yet, leading to more costs than revenues and less profit compared with last year.

3. ***Income tax expenses***

For the six months ended 30 June 2012, income tax expenses for the Group were RMB96 million. The main reason was a strong fertilizer market. Except for Sinochem Fertilizer and Sinochem Pingyuan Chemical Co., Ltd. could still generate taxable income against tax losses from previous years, all subsidiaries had already offset all the tax losses from previous years, and began to generate taxable profits. In addition, Sinochem Fertilizer was able to utilize taxable losses from previous years as a result of profit-making during the reporting period.

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

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

For the six months ended 30 June 2012, profit attributable to shareholders of the Company was RMB546 million, up by RMB49 million over the corresponding period in 2011.

For the six months ended 30 June 2012, net profit margin of the Group derived from dividing profit attributable to shareholders of the Company by turnover was 2.42%.

III. Expenditures

For the six months ended 30 June 2012, total expenses were RMB879 million, up by RMB154 million or 21.32% over that of RMB725 million for the corresponding period in 2011. The breakdown is as below:

Selling and distribution expenses: For the six months ended 30 June 2012, selling and distribution expenses were RMB374 million, up by RMB39 million or 11.74% over that of RMB335 million for the corresponding period in 2011. The reason was mainly due to the expansion of Group's sales business and the impact of the increasing cost of domestic logistics cost, the Group's logistics cost also increased compared with the same period in 2011.

Administrative expenses: For the six months ended 30 June 2012, administrative expenses were RMB291 million, up by RMB66 million or 29.50% over that of RMB225 million over the corresponding period of 2011. The reasons were mainly as follows: firstly, the acquisition of Sinochem Yunlong led to an increase of RMB30 million in administrative expenses over the corresponding period of 2011; secondly, with the expansion of the Group's scale, increase in the number of employees, and recovery of operating results, remuneration of employees and other administrative expenses increased by RMB24 million over the corresponding period in 2011.

Finance costs: For the six months ended 30 June 2012, finance costs were RMB214 million, up by RMB49 million or 29.58% over that of RMB165 million for the corresponding period of 2011. The reasons were mainly as follows: firstly, the increasing average loan led financial costs up by RMB28 million; secondly, the overall capital cost grew by 0.94% resulted in financial costs up by RMB21 million year on year.

IV. Other Expenses and Losses

For the six months ended 30 June 2012, the Group's other expenses and losses amounted to RMB144 million, down by RMB333 million, or 69.82% over that of RMB477 million for the corresponding period in 2011. The main reasons were:

1. In the first half of 2011, profit was squeezed in one of the Group's nitrogen production subsidiaries as a result of the combination of increasing production costs caused by higher price for major raw materials and steady selling price due to domestic supply and demand. The Group recognized goodwill impairment in the last reporting period since recoverable amount were less than the total book value of goodwill and long-term assets. However, no impairment was found after the goodwill impairment test in this reporting period. Other expenses and losses decreased by RMB265 million over the corresponding period in 2011.

2. In the first half of 2011, since a production facility in one of the Group's subsidiaries was idled because of the low market price for the product, the Group recognized fixed assets impairment of RMB60 million based on the difference between the net realizable value and the book value of the production facility in the last reporting period. During this reporting period, the Group reviewed the fixed assets impairment made in 2011 and there was no change to the amount, so no fixed impairment loss was recognized in 2012.

3. In the first half of 2011, the Group held shares of China XLX Fertiliser Ltd. ("China XLX") whose price kept dropping since the beginning of 2011 with no signs of recovery to pick up in the near future, RMB51 million of available-for-sale investments impairment was then recognized in the last reporting period. In the first half of 2012, the stock price of China XLX recovered. Although the stock price on 30 June, 2012 dropped slightly, it did not drop continuously. Therefore, the changes in fair value of the stock was counted into equity by the Group.

V. Inventory Turnover

The inventory balance of the Group as at 30 June 2012 was RMB6,999 million, down by RMB465 million, or 6.23% over that of RMB7,464 million as at 31 December 2011. Inventory turnover days (note) decreased from 66 days for 2011 to 62 days for the first half of 2012 as the Group accelerated the inventory turnover and lowered the inventory risk by continuously adhering to its operational strategy of "quick-buy-and-quick-sell".

Note: *Inventory turnover days for the six months ended 30 June 2012 was calculated on the basis of average inventory balance as at 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 2011 was calculated on the basis of average inventory balance as at the year ended 31 December 2011 divided by cost of goods sold in 2011, and multiplied by 360 days.

VI. Trade and Bills Receivables Turnover

The balance of the Group's trade and bills receivables as at 30 June 2012 was RMB2,677 million, up by RMB968 million or 56.67% over that of RMB1,709 million as at 31 December 2011. This was mainly because the Group granted limited credit to long term cooperative partners with good reputation and used more bills receivable in the reporting period as the sales revenue of the Group increased and the Group was also affected by factors such as the macroeconomic environment in the first half of 2012, which eventually led to an increase in the balance of bills receivables as at 30 June 2012 over that as at 31 December 2011.

On the basis of significant growth in sales revenue, trade and bills receivables turnover days *(note)* were shortened to 16 days for the first half of 2012 from 23 days for the year 2011.

Note: *Turnover days for the first half of 2012 was calculated on the basis of the average trade and bills receivables balance excluding bills discounted to banks as at the end of the reporting period divided by turnover for the reporting period, and multiplied by 180 days.*

Turnover days for 2011 was calculated on the basis of average trade and bills receivables balance excluding bills discounted to banks as at the end of the year ended 31 December 2010 divided by turnover in 2010, and multiplied by 360 days.

VII. Interests in Jointly Controlled Entities

As at 30 June 2012, the balance of the Group's interests in jointly controlled entities was RMB564 million, down by RMB155 million, or 21.48%, over that of RMB719 million as at 31 December 2011. The reason was mainly that Guiyang Sinochem Kailin Fertilizer Co., Ltd. ("Sinochem Kailin") one of the Group's jointly controlled entities, raised capital and expanded shares in the first half of 2012. The equity proportion of the Group in Sinochem Kailin was then diluted to 13.41% and the Group lost joint control rights in the entity. Therefore, the equity in Sinochem Kailin was reclassified into available-for-sale investments, with a value of RMB195 million.

VIII. Interests in Associates

The balance of the Group's interests in associates as at 30 June 2012 was RMB7,874 million, up by RMB120 million or 1.54% over that of RMB7,754 million as at 31 December 2011. The reason was mainly that the shares held by the Group in the first half of 2012 was recognized by the associates under the equity method, among these, the share attributable to Salt Lake Industry was RMB105 million; to Guizhou Xinxin Industrial and Agricultural Trading Co., Ltd. was RMB15 million respectively in the current period.

IX. Available-for-sale Investments

As at 30 June 2012, the balance of the Group's available-for-sale investments was RMB367 million, up by RMB194 million or 111.70% over that of RMB173 million as at 31 December 2011. The reason was mainly that the Group's long-term investments were proportionally diluted, thus the Group lost its joint control in Sinochem Kailin. Therefore, the investment has been reclassified as an available-for-sale investment.

X. Long and Short-Term Borrowings

As at 30 June 2012, the balance of the Group's long-term and short-term borrowings was RMB6,188 million, up by RMB767 million or 14.14% over that of RMB5,421 million as at 31 December 2011. The reason was mainly that the Group's business scale expanded in the reporting period, which led to an increase of capital demand as well as a corresponding increase in the size of borrowings correspondingly.

XI. Trade and Bills Payables

As at 30 June 2012, the balance of the Group's trade and bills payables was RMB5,927 million, up by RMB395 million or 7.14% over that of RMB5,532 million as at 31 December 2011. The reason was mainly attributed to 90 days of credit provided by suppliers in the reporting period, and corresponding increases in the balance of trade and bills payables.

XII. Other Financial Indicators

Basic earnings per share for the six months ended 30 June 2012 was RMB0.0777, up by RMB0.0070 over that of RMB0.0707 over the corresponding period in 2011. Return on equity (ROE) for the six months ended 30 June 2012 was 4.04%, up by 0.21 percentage points over that of 3.83% for the corresponding period in 2011.

Table 3:

	For the six months ended	
	30 June 2012	30 June 2011
Profitability		
Earnings per share *(RMB) (Note a)*	**0.0777**	0.0707
ROE *(Note b)*	**4.04%**	3.83%

Notes:

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

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

As at 30 June 2012, the Group's current ratio was 1.02, and the debt-to-equity ratio was 41.77%, representing a stable financial structure.

Table 4:

	As at 30 June 2012	As at 31 December 2011
Solvency		
Current ratio *(Note a)*	**1.02**	1.15
Debt-to-Equity ratio *(Note b)*	**41.77%**	40.55%

Notes:

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

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

XIII. Liquidity and Financial Resources

The Group's principal sources of financing included cash, bank loans and proceeds from the issue of new shares and loan notes. All the financial resources were primarily used for the Group's daily production and operation, repayment of liabilities as they fall due and for related capital expenditures.

As at 30 June 2012, cash and cash equivalents of the Group amounted to RMB385 million, which were denominated mainly in RMB and US dollar.

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

Table 5:

	As at 30 June 2012 *RMB'000*	As at 31 December 2011 *RMB'000*
Secured	**393,678**	–
Unsecured	**3,311,472**	2,939,931
Bonds		
Principal	**2,500,000**	2,500,000
Less: amortized trading cost	**(17,390)**	(18,565)
Total	**6,187,760**	5,421,366

Table 6:

	As at 30 June 2012 *RMB'000*	As at 31 December 2011 *RMB'000*
Within one year	**3,257,032**	2,349,358
More than one year, but not exceeding five years	**448,118**	583,300
More than five years	**2,482,610**	2,488,708
Total	**6,187,760**	5,421,366

Table 7:

	As at 30 June 2012 *RMB'000*	As at 31 December 2011 *RMB'000*
Fixed interest rate	**2,625,987**	3,275,343
Floating interest rate	**3,561,773**	2,146,023
Total	**6,187,760**	5,421,366

As at 30 June 2012, bills receivables with a carrying amount of approximately RMB394 million were discounted by banks.

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

As at 30 June 2012, the Group had banking facilities of RMB36,949 million, including USD2,005 million and RMB24,659 million. The amount of utilized banking facilities consisted of USD820 million and RMB1,909 million, while that of unutilized banking facilities consisted of USD1,185 million and RMB22,750 million.

XIV. Operation and Financial Risks

The Group's major operational risks: The international economic risks were complicated and changeable, the downtrend of domestic economy was obvious. Domestic fertilizer production was generally overcapacity, market competition was intense, the impact of market risk and uncertainty increased. Price trend of feed coal, phosphorous rock, sulfur and other fertilizer raw materials also affected the subsidiaries' cost, thus affected the profit.

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

Market risk

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

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

Credit risk

The Group's greatest credit risk is that of the counterparties failing to perform their obligations in relation to each class of recognized financial assets, which have been confirmed and recorded in the condensed consolidated statement of financial position as at 30 June 2012. The Group has adequate monitoring procedures in respect of granting credit line, credit approval and other related aspects so as to greatly reduce credit risk by ensuring timely follow-up overdue debt.

Liquidity risk

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

XV. Contingent Liabilities

As at 30 June 2012, the Group had no material contingent liabilities.

XVI. Capital Commitment

Table 8:

	As at 30 June 2012 *RMB'000*	As at 31 December 2011 *RMB'000*
Capital expenditure in respect of acquisition project, property, plant and equipment		
Contracted but not provided for	**23,190**	19,085
Authorized but not contracted for	**1,644,236**	2,095,810
Total	**1,667,426**	2,114,895

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

XVII. Major Investments and Disposal

For the six months ended 30 June 2012, the material investment of the Group was the M and A of Sinochem Yunlong Co., Ltd. (formerly called as Xundian Lomon Phosphorus Chemicals Co., Ltd.), with purchase price of RMB1,380 million. As at 30 June 2012, the Group has paid equity stake in transfer RMB500 million, with the left RMB880 million to be paid when the payment terms specified in the purchase agreement are met.

XVIII. Remuneration Policy

The key components of the Group's remuneration package include basic salary, and where appropriate, 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 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 importance of duties. The higher the importance of duties, the higher will be the ratio of incentive bonus of total remuneration. This can ensure that the Group can recruit, retain and motivate high-caliber employees required for the development of the Group and to avoid offering excess reward.

The emoluments payable to directors are determined with reference to the responsibilities, qualifications, experience and performance of the directors. They include incentive bonus primarily based on the results of the Group and 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 engages professional consultant, if necessary, to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 30 June 2012, the Group had about 11,074 full-time employees (including those employed by controlled entities), 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 attached much importance to the development of employees. For the six months ended 30 June 2012, the Group provided 5,500 hours of training in aggregate for about 1,500 person-times (trainings held by subsidiaries excluded). The training courses covered areas such as industry development, leadership improvement, marketing management, operation and management, laws and regulations, lean management, project management, finance, logistics, human resources, information technology, safe 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 cater to the Group's rapid developments; hence, improving the competitiveness of the Group.

XIX. Subsequent Event

According to the announcement of the Company dated 5 June 2012, a subsidiary of the Group, Sinochem Fertilizer Co., Ltd. ("Sinochem Fertilizer") entered into the share subscription and asset acquisition agreement with Yunnan Yuntianhua Co., Ltd. ("Yuntianhua"), pursuant to which Sinochem Fertilizer agreed to sell its 40% equity interests in Yunnan Three-Circle to Yuntianhua Company. As at 30 June 2012 and the date of this announcement, the processes and procedures associated with this transaction are still in progress. The exact completion date has not been determined yet. When the disposal of 40% equity interest in Yunnan Three-Circle is completed, the Group will determine the amount of gain or loss derived from this transaction based on the actual consideration and the Group's share of net assets value of Yunnan Three-Circle as at the date of completion.

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 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
	Note	***RMB'000***	*RMB'000*
Turnover	*3*	**22,536,745**	18,471,791
Cost of sales		**(21,067,693)**	(17,311,267)
Gross profit		**1,469,052**	1,160,524
Other revenue		**70,093**	66,831
Gain on deemed dilution of interest in an associate	*4*	**–**	341,029
Selling and distribution expenses		**(374,180)**	(334,872)
Administrative expenses		**(291,423)**	(225,042)
Other expenses and losses		**(144,071)**	(477,312)
Finance costs	*5*	**(214,075)**	(165,201)
Share of results of associates		**119,971**	145,843
Share of results of jointly controlled entities		**40,941**	45,831
Changes in fair value of derivative financial instruments		**–**	47,375
Profit before taxation	*6*	**676,308**	605,006
Income tax expenses	*7*	**(96,277)**	(98,942)
Profit for the period		**580,031**	506,064
Other comprehensive income/(expense)			
Exchange differences on translation of financial statements of overseas subsidiaries		**16,237**	(95,801)
Changes in fair value of available-for-sale investments		**(2,166)**	(52,912)
Reclassification adjustment for the cumulative loss included in profit or loss upon disposal of available-for-sale investments		**–**	6,746
Reclassification adjustment for the cumulative loss included in profit or loss upon impairment of available-for-sale investments		**–**	51,030
Income tax relating to components of other comprehensive income		**–**	(1,216)
Other comprehensive income/(expense) for the period, net of tax		**14,071**	(92,153)
Total comprehensive income for the period		**594,102**	413,911

	Note	Six months ended 30 June 2012 RMB'000	2011 RMB'000
Profit for the period attributable to			
– Owners of the Company		**545,700**	496,385
– Non-controlling interests		**34,331**	9,679
		580,031	506,064
Total comprehensive income attributable to			
– Owners of the Company		**559,771**	404,232
– Non-controlling interests		**34,331**	9,679
		594,102	413,911
Earnings per share	*9*		
Basic *(RMB)*		**0.0777**	0.0707
Diluted *(RMB)*		**0.0777**	0.0654

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Note	**At 30 June 2012** *RMB'000*	At 31 December 2011 *RMB'000*
Non-current assets			
Fixed assets			
– Property, plant and equipment		**5,205,699**	4,536,843
– Investment properties		**14,600**	14,600
		5,220,299	4,551,443
Prepaid lease payments		**676,651**	606,111
Mining right		**599,257**	–
Goodwill		**821,695**	289,017
Other long-term assets		**24,665**	32,600
Interests in associates		**7,874,134**	7,754,435
Interests in jointly controlled entities		**564,435**	718,877
Available-for-sale investments		**367,020**	173,367
Advance payments for acquisition of property, plant and equipment		**56,857**	40,376
Deferred tax assets		**701,655**	756,462
		16,906,668	14,922,688
Current assets			
Inventories		**6,999,431**	7,464,114
Trade and bills receivables	*10*	**2,677,055**	1,708,761
Other receivables and prepayments		**2,715,618**	2,330,679
Prepaid lease payments		**14,876**	13,380
Other deposits	*11*	**1,583,600**	1,649,088
Pledged bank deposits		**3,059**	7,435
Bank balances and cash		**384,991**	302,345
		14,378,630	13,475,802
Current liabilities			
Trade and bills payables	*12*	**5,926,722**	5,531,629
Other payables and accrued expenses		**4,837,915**	3,858,148
Interest-bearing borrowings – due within one year		**3,257,032**	2,349,358
Tax liabilities		**28,280**	9,487
		14,049,949	11,748,622
Net current assets		**328,681**	1,727,180
Total assets less current liabilities		**17,235,349**	16,649,868

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Non-current liabilities		
Interest-bearing borrowings – due after one year	**2,930,728**	3,072,008
Deferred income	**158,854**	149,937
Deferred tax liabilities	**275,171**	59,040
	3,364,753	3,280,985
NET ASSETS	**13,870,596**	13,368,883
CAPITAL AND RESERVES		
Issued equity	**8,267,384**	8,264,318
Reserves	**5,233,799**	4,769,483
Equity attributable to owners of the Company	**13,501,183**	13,033,801
Non-controlling interests	**369,413**	335,082
TOTAL EQUITY	**13,870,596**	13,368,883

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. Basis of Preparation

The condensed consolidated financial statements of the Group have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") set out below. In addition, the Group adopted the unit-of-production method utilising estimated reserves in the depletion base for the amortisation of mining right due to the acquisition of a subsidiary in the reporting period.

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

- Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*
- Amendments to HKAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*

These developments have had no material impact on the contents of the Group's financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Segment Reporting

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

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

The following is an analysis of the Group's revenue and profit by operating segments for the periods under review:

	Six months ended 30 June 2012			
	Marketing	**Production**	**Elimination**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Revenue				
External revenue	**19,241,347**	**3,295,398**	**–**	**22,536,745**
Internal revenue	**289,383**	**1,425,047**	**(1,714,430)**	**–**
Segment revenue	**19,530,730**	**4,720,445**	**(1,714,430)**	**22,536,745**
Segment gross profit	**871,235**	**597,817**	**–**	**1,469,052**
Segment profit	**409,293**	**303,892**	**–**	**713,185**
Share of results of associates	**–**	**119,971**		**119,971**
Share of results of jointly controlled entities	**–**	**40,941**		**40,941**
Unallocated expenses				**(32,034)**
Unallocated income				**48,320**
Finance costs				**(214,075)**
Profit before tax				**676,308**

	Six months ended 30 June 2011			
	Marketing	Production	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue				
External revenue	15,736,858	2,734,933	–	18,471,791
Internal revenue	190,065	1,349,015	(1,539,080)	–
Segment revenue	15,926,923	4,083,948	(1,539,080)	18,471,791
Segment gross profit	791,704	368,820	–	1,160,524
Segment profit	424,377	119,792	–	544,169
Share of results of associates	–	145,843		145,843
Share of results of jointly controlled entities	–	45,831		45,831
Unallocated expenses				(63,830)
Unallocated income				50,819
Finance costs				(165,201)
Changes in fair value of derivative financial instruments				47,375
Profit before tax				605,006

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

4. Gain on Deemed Dilution of Interest in an Associate

During the period ended 30 June 2011, an associate of the Group, Qinghai Salt Lake Potash Co., Ltd. merged with Qinghai Salt Lake Industry Group Co., Ltd. (the "Merger"), and renamed as Qinghai Salt Lake Industry Co., Ltd. ("Salt Lake Industry"). The Group accounted for the reduction of equity interest in Salt Lake Industry resulted from the Merger as a deemed dilution in investment in an associate and recognised a gain of approximately RMB341,029,000 in the period ended 30 June 2011.

5. Finance Costs

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Interest on borrowings		
– wholly repayable within five years	**150,152**	81,181
– not wholly repayable within five years	**64,252**	63,803
Less: interest expense capitalised	**(329)**	(1,357)
Interests on convertible loan notes	**–**	21,574
	214,075	165,201

Borrowing costs capitalised during the period on the general borrowing pool are calculated by applying a capitalisation rate of 6.05% (corresponding period in 2011: 5.05%) per annum to expenditure on qualifying assets.

6. Profit before Taxation

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

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**211,648**	196,653
Amortisation of prepaid lease payments	**17,000**	16,158
Amortisation of mining right	**7,630**	–
Amortisation of other long-term assets	**11,049**	7,367
Write-down of inventories	**111,612**	89,495
Deferred income released	**(5,282)**	(7,396)
Reversal of allowance provided for receivables	**(20)**	(17,404)
Loss on disposal of property, plant and equipment	**441**	1,249
Impairment losses, included in other expenses and losses		
– Property, plant and equipment	**–**	59,550
– Available-for-sale investments	**–**	51,030
– Goodwill	**–**	265,357

7. Income Tax Expenses

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Current tax – PRC Enterprise Income Tax	**25,563**	23,243
Current tax – Hong Kong Profits Tax	**1,651**	133
Deferred taxation	**69,063**	75,566
	96,277	98,942

(i) The provision for Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the periods under review.

(ii) The provision for the PRC enterprise income tax is based on the statutory rate of 25% on the estimated taxable profits determined in accordance with the relevant income tax rules and regulations of the PRC for the periods under review, 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.

8. Dividends

The board of directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (the corresponding period in 2011: nil).

During the six months ended 30 June 2012, the final dividend for the year ended 31 December 2011 of approximately RMB94,801,000 (the corresponding period in 2011: approximately RMB64,812,000) at HK$0.0166 (approximately RMB0.0135) (the corresponding period in 2011: HK$0.0110 (approximately RMB0.0091)) per share has been paid.

9. Earnings Per Share

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

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share	**545,700**	496,385
Effect of dilutive potential ordinary shares:		
– Interest on convertible loan notes	**–**	21,574
– Changes in fair value of derivative financial instruments	**–**	(47,375)
Earnings for the purpose of diluted earnings per share	**545,700**	470,584
Number of shares	***'000 shares***	*'000 shares*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,024,351**	7,021,492
Effect of dilutive potential ordinary shares from:		
– Share options	**36**	1,601
– Convertible loan notes	**–**	170,742
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**7,024,387**	7,193,835

10. Trade and Bills Receivables

The Group allows a credit period of approximate 90 days to its trade customers. As at the end of the reporting periods, 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 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Within 3 months	**2,241,724**	1,267,941
More than 3 months but within 6 months	**425,176**	438,766
More than 6 months but within 12 months	**9,420**	742
More than 12 months	**735**	1,312
Trade debtors and bill receivables, net of allowance for doubtful debts	**2,677,055**	1,708,761

Included in the Group's trade receivables are debtors with aggregate carrying amount of RMB14,942,000 (as at 31 December 2011: RMB5,034,000) 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.

11. Other Deposits

Other deposits represent principal-protected financial products issued by financial institutions in the PRC, with fixed interest rates from 2.20% to 4.60% per annum. Among other deposits as at 30 June 2012, balances of approximately RMB913,500,000 (as at 31 December 2011: approximately RMB650,000,000) were restricted and can only be withdrawn until maturity. The directors of the Company consider the other deposits as a current asset since the maturity dates are all within one year at the end of the reporting period.

12. Trade and Bills Payables

As at the end of the reporting periods, the aging analysis of trade and bills payables presented based on the invoice date is as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within 3 months	**5,603,699**	4,824,863
More than 3 months but within 6 months	**220,929**	210,452
More than 6 months but within 12 months	**37,345**	392,660
More than 12 months	**64,749**	103,654
	5,926,722	5,531,629

13. Acquisition of a Subsidiary

The Group entered into a share purchase agreement with Sichuan Lomon Corporation and Tibet Longsheng Investment Management Co., Ltd. on 8 January 2012 in relation to the acquisition of the entire 100% equity interests of Xundian Lomon Phosphorus Chemical Co., Ltd. ("Xundian Lomon") (the "Acquisition"). The Acquisition was completed on 19 March 2012. Xundian Lomon was renamed as Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong").

The Acquisition will be of strategic significance to the Group as it will enable the Group to own the phosphate resource and to further explore such resources in the South-west China.

For the period from 19 March 2012 to 30 June 2012, Sinochem Yunlong contributed revenue of RMB214,717,000 and profit of RMB34,555,000 to the Group's results.

The consideration for the Acquisition is RMB1,380 million.

Identifiable assets acquired and liabilities assumed as at 19 March 2012:

	Carrying value *RMB'000*	Fair value adjustments *RMB'000*	Fair value *RMB'000*
Property, plant and equipment	461,211	235,327	696,538
Prepaid lease payments	16,640	72,396	89,036
Mining right	25,625	581,262	606,887
Other non-current assets	21,286	–	21,286
Inventories	180,063	854	180,917
Bank balances and cash	37,038	–	37,038
Other current assets	25,873	–	25,873
Current liabilities	(582,448)	–	(582,448)
Deferred tax liabilities	(661)	(218,540)	(219,201)
Other non-current liabilities	(7,000)	–	(7,000)
Total identifiable net assets	177,627	671,299	848,926

The fair value of identifiable net assets of Sinochem Yunlong is determined based on the valuation carried out by a qualified independent valuer, China United Assets Appraisal Group Co., Ltd.. Goodwill was recognised as a result of the Acquisition as follows:

	19 March 2012 *RMB'000*
Total consideration	1,380,000
Fair value of identifiable net assets	(848,926)
Goodwill recognised	531,074

None of the goodwill recognised is expected to be deductible for tax purpose.

14. Comparative Figures

Certain comparative figures in disclosure have been adjusted to conform to current period's presentation.

INTERIM DIVIDEND

The Board did not recommend the declaration of interim dividend for the six months ended 30 June 2012.

AUDIT COMMITTEE

The Audit Committee has reviewed with management and the external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the condensed consolidated financial statements of the Company for the six months ended 30 June 2012.

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 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of conduct regarding securities transaction by directors. Having made specific enquiry of all directors of the Company, all directors confirmed through a confirmation that they had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2012.

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

CORPORATE GOVERNANCE STANDARDS

Recognizing the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, the Company is committed to maintaining a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practice on corporate governance. On 22 March 2012, the Company has established Corporate Governance Committee with its written terms of reference, overseeing the corporate governance functions of the Group and ensuring the compliance with the Corporate Governance Code (effective from 1 April 2012) set out in Appendix 14 of the Listing Rules and pursuing a higher standard of its corporate governance.

The Company has complied with the applicable code provisions in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2012 and up to the date of this announcement, except for the deviations from the code provisions A.6.7 and E.1.2 as described below.

The code provision A.6.7 stipulates that, among others, the non-executive directors should attend general meetings of the listed issuer. Mr. Liu De Shu, Mr. Yang Lin, Dr. Stephen Francis Dowdle and Ms. Xiang Dandan, the non-executive directors of the Company, were unable to attend the annual general meeting of the Company held on 14 June 2012 ("2012 AGM") due to other essential business engagements.

Apart from the above, the Company had also deviated from code provision E.1.2. 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 2012 AGM, Mr. Liu De Shu, Chairman of the Board, did not chair the meeting due to other essential business engagements. In order to ensure smooth holding of the 2012 AGM, the Chairman of the Board authorized and the directors attended the meeting elected Mr. Feng Zhi Bin, the executive director and Chief Executive Officer of the Company, to chair the meeting on behalf of the Chairman of the Board. Respective chairmen of the audit, remuneration and nomination committees of the Company were present at the 2012 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 2011 annual report for more information about the corporate governance of the Company.

BOARD OF DIRECTORS

As at the date of this announcement, the executive directors of the Company are Mr. Feng Zhi Bin (Chief Executive Officer) and Mr. Harry Yang; the non-executive directors of the Company are Mr. Liu De Shu (Chairman), Mr. Yang Lin, Dr. Stephen Francis Dowdle and Ms. Xiang Dandan; and the independent non-executive directors of the Company are Mr. Ko Ming Tung, Edward, Dr. Tang Tin Sek and Mr. Tse Hau Yin, Aloysius.

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

Hong Kong, 23 August 2012

* *For identification purposes only*