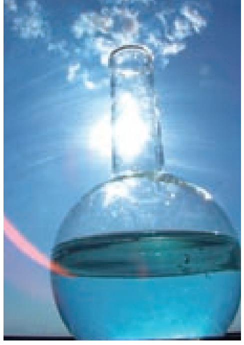

中化化肥控股有限公司
SINOFERT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 297

Interim Report 2009

Nurturing China's Agriculture Sector

CONTENTS

Corporate Information

Board of Directors

Non-Executive Directors
Mr. LIU De Shu *(Chairman)*
Mr. SONG Yu Qing *(Deputy Chairman)*

Executive Directors
Mr. DU Ke Ping *(Chief Executive Officer)*
Mr. Harry YANG

Non-Executive Directors
Dr. CHEN Guo Gang
Dr. Stephen Francis DOWDLE
Mr. Wade FETZER III

Independent Non-Executive Directors
Mr. KO Ming Tung, Edward
Dr. TANG Tin Sek
Mr. TSE Hau Yin, Aloysius

Members of Committees

Audit Committee
Mr. TSE Hau Yin, Aloysius *(Chairman)*
Mr. KO Ming Tung, Edward
Dr. TANG Tin Sek

Remuneration Committee
Dr. TANG Tin Sek *(Chairman)*
Mr. KO Ming Tung, Edward
Dr. Stephen Francis DOWDLE
Mr. TSE Hau Yin, Aloysius
Ms. CHEN Yi Qing

Nomination Committee
Mr. KO Ming Tung, Edward *(Chairman)*
Dr. Stephen Francis DOWDLE
Dr. TANG Tin Sek
Mr. TSE Hau Yin, Aloysius

Chief Financial Officer
Mr. CHEN Feng

Qualified Accountant
Ms. CHEUNG Kar Mun, Cindy

Company Secretary
Mr. Navin AGGARWAL

Auditors
Deloitte Touche Tohmatsu

Legal Advisers
K&L Gates
Latham & Watkins

Principal Bankers
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China Construction Bank
Industrial and Commercial Bank of China
Bank of Tokyo-Mitsubishi
Rabobank International

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Share Registrars and Transfer Offices

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Hamilton HM11
Bermuda

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Share Listing
The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
Stock Code: 297

Investor Relations

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Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board"), I hereby present to all the shareholders the interim results of Sinofert Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2009, and also take the opportunity to express our heartfelt gratitude to the shareholders and friends from various circles of society for your support to the Group.

During the first half of 2009, the global fertilizer market contracted further as demand weakening, prices falling and competition intensified due to the impact of the financial crisis. In such a tough market situation, the Group adopted proactive measures to overcome various challenges, and steadily carried forward the strategy of "centering on marketing and distribution and expanding into both production and network distribution" for synergic development. Sales volume of the Group during the first half of 2009 was 6.35 million tons, down by 34.69% year on year; turnover was RMB12,505 million, down by 43.96% year on year; loss attributable to shareholders was RMB828 million, and profit attributable to shareholders excluding write-down of inventories and the change in fair value of derivative component of convertible loan notes was RMB118 million, which fell by 90.67% from that for the corresponding period of 2008. It was the first time that the Group encountered decline in performance. The major reason for the sharp fall in profit was incurred by the decline in both sales volume and gross profit of the Group as a result of the impact of the financial crisis on the overall business environment.

However, the falling profit during the first half of 2009 under the influence of financial crisis did not mean any change in the fundamentals of the Group. The Group maintained its leading market position as China's largest fertilizer distribution service provider. Under the background of serious oversupply and fierce competition in the fertilizer market, the Group's industrial base and fairly complete production layout, and the distribution network formed in the strategic transformation of the Group in the past 10 years had become the most valuable assets of the Group. In addition, the Group's ability to deploy resources from global markets and our brand image and influence had jointly formed a sharp competitive edge in the industry. The directors and the management as well as all the employees are full of confidence in the Group's future development!

During the first half of 2009, the Group grasped the opportunity and recruited an expert team to prop up the professional management of the upstream production sector. The structure of human resources adaptive to the Group's strategic transformation was improved. Meanwhile, a good progress was also achieved in optimizing production management and implementing the low-cost production strategy through technological renovations and lean management.

On the basis of the completion of nationwide layout of the distribution network, the Group shifted the emphasis of network development to a new stage of improving the quality and performances of the distribution network during the first half of 2009. This was aimed for accumulating potentials for the Company's sustainable growth at a higher commanding point in market competition. The Group continued to carry out standardized management of the distribution network, and aimed to provide our customers with "one-stop-shopping" services by enriching our product mix. In addition, the ability to serve end-users was further enhanced, helping the distribution network taking root in the vast countryside of China.

Chairman's Statement

Looking ahead to the development environment of the Group in the second half of the year and onwards, we believe that it is increasingly likely that the Chinese economy will emerge first from the global crisis. The Chinese government will continue to adhere to the proactive fiscal policy and moderately loose monetary policy, implement the economic stimulus plan on a full scale, consolidate and further strengthen the good momentum of stable recovery of the Chinese economy, and to strive to achieve the goal of 8% annual GDP growth on the basis of 7.1% economic growth during the first half of 2009. Meanwhile, the U.S. economy seems to have approached the bottom of recession, and is estimated to recover from economic recession by the end of this year. Driven by the recoveries of massive economic systems of China and the U.S., etc., it would not be long for the global economy to extricate from the downturn.

Agriculture in China is positioned to be "the strategic industry effecting stability of the country and the people". The Chinese government will continuously support the agricultural sector to enable bumper harvests and constant increase of farmers' income. In particular, the Chinese government adopted the "50-Billion-Kg Grain Production Capacity Expansion Program during 2009-2020" in the current year, which would create huge demand potentials for the fertilizer industry. We believe that in the next couple of years, China's fertilizer consumption will overcome the downtrend as seen in the past two years, and growth in market demand is foreseeable. In addition, the situation of overcapacity and the trend of structural readjustment and reorganization of the Chinese fertilizer industry will also provide good historic opportunities for the Group to leverage its leading market position and overall influence to further consolidate its industrial basis and sustainable growth ability.

In an ever-changing market environment, the Group will work hard to grasp the opportunities and actively meet the challenges by further deepening the development strategy of "centering on marketing and distribution and expanding into both production and network distribution". We will continue to consolidate our industrial base to enhance the profitability of the Group's production sector; boost the comprehensive value of the distribution network by enriching our product mix and integrating the operations of various agricultural inputs; and bring into full play the advantages of integrated development for continuously enlarged market share and better market position. The Company always aims to generate higher returns for the shareholders, create more wealth for society, and to play a greater role in ensuring China's food security and agricultural growth.

Last but not least, on behalf of the Board, I would like to take this opportunity to extend our heartfelt appreciations to the customers, the management and employees of the Group. We hope to have the continuous support from our shareholders, and that the Sinofert Team will keep working hard and make greater contributions for the Company.

Liu De Shu
Chairman of the Board

Hong Kong, 18 August 2009

Management Review and Prospect

Since the outbreak of the global financial crisis in September 2008, the real economy was heavily slammed and the global fertilizer industry was dragged into a cold winter. Fertilizer prices plunged, and market demand withered. In the first half of 2009, international urea prices fell by 62% compared with a year ago, the prices of diammonia phosphate plummeted by 75%, and international potash trading was virtually stagnant. The whole fertilizer industry encountered a dilemma unprecedented over the years.

The domestic fertilizer market is over supplied, with prices constantly under downward pressure. In the first half of 2009, domestic production capacity of fertilizers continued to rise. Statistics show that China's urea production capacity reached 65 million tons per annum, compared with total annual consumption of about 50 million tons, representing 20% overcapacity. The production capacity of diammonia phosphate and monoammonia phosphate was more than 13 million tons, respectively, compared with total domestic consumption of 5.5 million tons for diammonia phosphate and 6 million tons for monoammonia phosphate, representing 50% overcapacity, respectively. In addition, the considerable increase in potash production plus huge amount of imported potash jointly led to an oversupply situation in China's potash market. Meanwhile, during the first half of 2009, the weak international demand and the impact of high export taxes on fertilizers imposed by the state led to a fall of 80% and 63% in urea and phosphate export volume, respectively, which further exacerbated the oversupply situation in the domestic market. Urea prices fell from the peak of RMB2,550 per ton in 2008 to RMB1,500 per ton in June 2009, representing a decrease of 41%; the prices of diammonia phosphate fell from the peak of RMB2,800 per ton to RMB2,100 per ton, representing a decrease of 25%; and the prices of potash plunged 39% from RMB4,600 per ton to RMB2,800 per ton. According to the statistics made by fertilizer industry association, the overall profit of the fertilizer industry decreased by over 50% during the first half of 2009, and the phosphate industry suffered losses as a whole.

Against the worsening market environment, the Group readjusted its strategies accordingly under the guidance of the Board. In line with the principle of "prudent operations, fast turnover rate, and risk control", the Group brought into full play the advantages of our integrated business model to allow production and distribution mutually supportive for better synergic effect. The service ability of the distribution network was further enhanced to create more value-added services.

Financial Summary

For the six months ended 30 June 2009, the Group's turnover was RMB12,505 million, representing a decrease of 43.96% year on year; loss attributable to shareholders of the Company was RMB828 million, and profit attributable to shareholders excluding write-down of inventories and the change in fair value of derivative component of convertible loan notes was RMB118 million, representing a decrease of 90.67% from that for the corresponding period of 2008. This was the first time that the Group encountered decline in performance. The major reason for the sharp fall in profit was the decline in both sales volume and gross profit of the Group as a result of the impact of the financial crisis on the general business environment.

Management Review and Prospect

Product Operations

For the six months ended 30 June 2009, the Group's sales volume was 6.35 million tons, down by 34.69%. However, the Group continued to be the largest fertilizer distributor and service provider in China. Among this, the sales volume of nitrogen fertilizers, phosphate fertilizers, compound fertilizers and potash fertilizers was 2.63 million tons, 1.68 million tons, 1.01 million tons and 0.6 million tons, respectively. The sales volume of sulfur was 0.36 million tons.

Production

For the six months ended 30 June 2009, the Group had no newly-built project, project expansion, or new acquisition. The total fertilizer production capacity of the Group's subsidiaries and affiliated production enterprises remained to be 10.16 million tons. Emphasis in the production sector under the situation of financial crisis was focused on boosting the ability for sustainable growth of the Group through the introduction of lean management, technological renovations and the implementation of the low-cost strategy.

The Group took the opportunities and actively recruited an expert team to ramp up the professional management of the upstream production sector in terms of technological research, processing and equipment, and business management. Enterprises competitiveness was uplifted with technological renovations, and the work for the building of a state-level technological center was expedited. With the full-range implementation of lean management, the Group's production enterprises were capable of further reducing energy consumption and maintaining safe production.

Network Distribution

On the basis of the completion of nationwide layout of the distribution network with distribution centers built in major agricultural counties in 2008, the Group shifted the emphasis of network development to a new stage of improving the quality and performances of the distribution network since the beginning of 2009. During the first half of 2009, the Group newly added 12 distribution centers, bringing the total number of distribution centers to 2,022 nationwide.

In the first half of 2009, emphasis of the work of the distribution network was put on "expanding the customer base at township level and continuously substantiating the basis of operations" to proactively push forward the intension-type growth of the distribution network. Among the 34,800 customers that had trading relations with the Group during the first half of 2009, the number of township-level customers increased by 6,300. The sales volume realized by the distribution network was 4.61 million tons, accounting for 72.6% of the Group's total sales volume. Such an increase in percentage of sales volume proved that the distribution network is playing an increasingly important role under the general market situation of serious oversupply.

The Group actively pushes forward the integrated operations of various agricultural inputs, with fertilizers and pesticides being sold in most distribution centers, providing the customers with "one-stop shopping" services.

Management Review and Prospect

Internal Control and Management

The Group always attaches top priority to the protection of shareholders' asset value, and made particular attention to this aspect facing the severe business environment. The Group adheres to a sound financial policy, keeps a balanced financing structure, and works to expand funding supply to meet the capital requirements. Financing risks and finance cost were effectively reduced by utilizing various financing channels. The Group also implemented strict goods ownership management, actively pushed forward total risk management, continued to optimize work flows and business operating processes, and strengthened the work of internal audit so as to ensure the safety of corporate assets and business operations.

Corporate Social Responsibility

The Group is committed to promoting "Harmonious China, Safe Agriculture" and "whole-heartedly serving the Chinese farmers", and takes it a long-term strategy to provide full services to meet the needs of end-user farming households. During the first half of 2009, a total of 2,809 agrichemical service events were held, including agricultural expert seminars, town fair gatherings and formula fertilization based on soil testing. A special program was also successfully carried out to promote the sales of Sinochem Canadian potash fertilizers at discounted prices for the farmers. A total of 1,108 exemplary villages selected for the promotion of scientific fertilization by Sinofert were set up, with 1,366 specialized programs provided for the villagers. Other activities for public welfare included promoting agro-technology among the farmers under the sponsorship of the Ministry of Agriculture, donating fertilizers to economically backward communities and earthquake-stricken areas, as well as donating books, VCDs and DVDs on scientific fertilization to the farmers.

The Company was the sponsor for the 77th Annual Conference of the International Fertilizer Industry Association (IFA), which was held successfully in Shanghai in 2009. The meeting was an excellent event for the global fertilizer industry to exchange views and ideas, and promoted the mutual exchanges between the Chinese fertilizer producers and suppliers with their international counterparts. The Group also successfully fulfilled the work of undertaking the national off-season reserve of 2.55 million tons of fertilizers. In addition, Sinofert Corporate Social Responsibility Report 2008 was also published with an aim to publicize the commitment of the Group to social responsibility.

Management Review and Prospect

Outlook

During the first half of 2009, while the global economy was still in recession, the Chinese economy began to show signs of recovery. Meanwhile, the second quarter economic indexes published by the U.S. also showed that the U.S. economy seemed to have approached the bottom, gradually recovering from economic recession. Driven by the recoveries of massive economic systems of China and the U.S., etc., it would not be long for the global economy to extricate from the downturn.

The Chinese government has always attached top priority to agriculture, and in recent years has continuously expanded its support to the farmers and the agricultural sector to promote steady growth and stable increases of the farmers' income. In 2009, fiscal expenditure on the agricultural sector, the rural areas and the farmers by the Chinese government would increase to RMB716.1 billion, up by RMB120.6 billion or 20.2% year on year. Among this, direct subsidies to the farmers would reach RMB123.1 billion. Such favorable policies have actively promoted the enthusiasm of the farmers in grain growing, which resulted in a bumper harvest of Summer grains for consecutively six years in 2009. The output of Summer grains increased by 2.6 million tons, or 2.2% to 123.35 million tons compared with the previous year. To prevent the downward pressure of grain prices both domestically and internationally, the Chinese government raised the minimum grain purchase prices by over 10% so as to protect the interest of grain growers. These measures are certainly beneficial to the growth of the fertilizer industry.

In 2009, the Chinese government adopted the "50-Billion-Kg Grain Production Capacity Expansion Program during 2009-2020", which would create huge growth potentials for the fertilizer industry. The management believes that in the next couple of years, China's fertilizer consumption will realize recovery growth. In addition, the situation of over-capacity and the trend of structural readjustment and reorganization of the Chinese fertilizer industry will also provide good historic opportunities for the Group to leverage its leading market position and overall influence to further consolidate its industrial basis and sustainable growth ability.

In an ever-changing market environment, the Group will work hard to grasp the opportunities and actively meet the challenges by deepening the development strategy of "centering on marketing and distribution and expanding into both production and network distribution". We will continue to consolidate our industrial base to enhance the profitability of the Group's production sector; boost the comprehensive value of the distribution network by enriching our product mix and integrating the operations of various agricultural inputs; and bring into full play the advantages of integrated development for continuously expanded market share and greater market position. The Company always aims to generate higher returns for the shareholders, create more wealth for society, and to play a greater role in ensuring China's food security and agricultural development.

Chronicle of Events

1. In January 2009, the Group participated in an annual event organized by the Ministry of Agriculture, aiming to promote agro-technology among the farmers. The Group carried out its social responsibility by giving out fertilizers, VCDs and books on agrichemical knowledge to the farmers.

2. In March 2009, the Company released its 2008 annual results.

3. In March 2009, Hubei Sinochem Orient Fertilizer Co., Ltd ("Sinochem Orient"), a subsidiary of the Company, was granted the High-Tech Enterprise Certificate co-issued by the Science & Technology Department, Department of Finance, State Administration of Taxation and Local Taxation Bureau of Hubei Province. According to relevant policies, Sinochem Orient is entitled to the preferential income tax treatments for 2008, 2009 and 2010, with income tax rate reduced from 25% to 15%.

4. In March 2009, Sinochem Chongqing Fuling Chemical Co., Ltd., a subsidiary of the Company, was granted RMB6.7 million as investment support by the central government for its waste water treatment and Clean Production Mechanism project. The project is to be completed through technological renovation by 2010.

5. In April 2009, the Group, together with the Ministry of Agriculture, launched a special promotion program in eight provinces for Sinofert's Canadian potash fertilizers. Various activities were carried out in over 120 counties in the eight southern provinces of China, aiming to promote agro-technology among the farmers and help them on choosing and using fertilizers.

6. In April 2009, a production line for coated controlled-release fertilizer successfully went into operation at Sinochem Shandong Fertilizer Co., Ltd., a subsidiary of the Company. The technology for this special fertilizer was introduced by the Group from the China Agricultural University.

7. In May 2009, the Group entered into a cooperation agreement with Shell International Petroleum Company Limited for the trial production of Sulphur Enhanced Fertilizers, which was part of the Company's efforts to better serve the Chinese agriculture through introducing and applying advanced fertilizer production technologies.

8. In May 2009, the 77th International Fertilizer Industry Association (IFA) Annual Conference, co-sponsored by the Company, was successfully held in Shanghai. At the opening session, Mr. Du Ke Ping, Chief Executive Officer of the Company, delivered a keynote speech to the delegates. During the IFA conference, the Sinofert delegation participated in over 80 meetings and discussions with international fertilizer producers, suppliers and traders. These exchanges promoted the Group's good cooperative relations with its counterparts both at home and abroad.

9. In May 2009, at the Executive Committee meeting of the 77th IFA Conference, Mr. Du Ke Ping, Chief Executive Officer of the Company, was elected Vice President of the IFA in charge of relevant affairs in China.

10. In June 2009, the Company held its 2009 annual general meeting.

11. In June 2009, the Company released Sinofert Corporate Social Responsibility Report 2008.

Management Discussion and Analysis

The financial crisis dealt a heavy blow to the global real economy, and the fertilizer industry was not an exception. Since the second half of 2008, the global fertilizer market slumped, and the impact of the downturn was increasingly apparent in the first half of 2009. For the six months ended 30 June 2009, sales volume of the Group was 6.35 million tons, and turnover was RMB12,505 million, which represented a decrease of 34.69% and 43.96%, respectively, from the corresponding period of 2008.

For the six months ended 30 June 2009, gross profit of the Group was RMB679 million, falling by 67.68%; loss attributable to shareholders was RMB828 million, representing a decrease of 168.27% from the corresponding period of 2008. Excluding write-down of inventories and change in fair value of derivative component of convertible loan notes, net profit attributable to shareholders was RMB118 million, down by 90.67% from the corresponding period of 2008.

Due to the impact of the financial crisis, domestic fertilizer demand and prices both plunged. In accordance with the requirements of relevant accounting principles, the Group recognized write-down of inventories of RMB1,293 million for the six months ended 30 June 2009.

I. Operation Scale

1. Sales Volume

Affected by weakening demand in the domestic fertilizer market, for the six months ended 30 June 2009, sales volume of the Group was 6.35 million tons, down by 34.69% from the corresponding period of 2008.

In terms of product sales structure, sales volume of potash, nitrogen, compound fertilizers and phosphate fertilizers decreased by 71.49%, 35.18%, 25.26% and 10.56%, respectively, from the corresponding period of 2008.

2. Turnover

For the six months ended 30 June 2009, turnover of the Group was RMB12,505 million, down by RMB9,811 million from the corresponding period of 2008, which represented a decrease of 43.96%. The main reason was that market prices and sales volume of fertilizers both declined.

The breakdown of turnover by products of the Group for the six months ended 30 June 2009 is as follows:

	For the six months ended 30 June			
	2009		2008	
	Turnover RMB'000	**As percentage of total turnover**	Turnover RMB'000	As percentage of total turnover
Potash fertilizers	**2,156,662**	**17.25%**	5,501,847	24.66%
Nitrogen fertilizers	**4,207,095**	**33.64%**	6,866,288	30.77%
Compound fertilizers	**2,455,877**	**19.64%**	3,602,231	16.14%
Phosphate fertilizers	**3,259,308**	**26.06%**	4,912,422	22.01%
Others	**426,477**	**3.41%**	1,433,178	6.42%
Total	**12,505,419**	**100.00%**	22,315,966	100.00%

3. *Turnover and Result by Segment*

The operating segments of the Group include sourcing and distribution of fertilizers and agricultural related products ("Sourcing and Distribution Segment") and production and sales of fertilizers ("Production Segment").

The following is an analysis of the Group's turnover and (loss) profit by operating segment for the current period and the same period last year:

	For the six months ended 30 June 2009		
	Sourcing & Distribution RMB'000	**Production RMB'000**	**Total RMB'000**
Turnover			
External sales	**10,924,100**	**1,581,319**	**12,505,419**
Segment loss	**(1,124,433)**	**(32,500)**	**(1,156,933)**

	For the six months ended 30 June 2008		
	Sourcing & Distribution RMB'000	Production RMB'000	Total RMB'000
Turnover			
External sales	20,481,742	1,834,224	22,315,966
Segment profit	1,303,521	132,307	1,435,828

Segment (loss) profit represents the (loss) profit earned by each segment without corporate expenses, share of results of associates and jointly controlled entities, investment revenue, non-recurring income/expenses and finance costs. The Group uses these quantitative reports for the purposes of resource allocation and assessment of segment performance.

Affected by the financial crisis, fertilizer demand and prices in the domestic market both plunged. This resulted in a sharp fall in the Group's result for the six months ended 30 June 2009 compared with the same period of 2008. Among this, the Sourcing and Distribution Segment recorded a loss of RMB1,124 million for the six months ended 30 June 2009, down by RMB2,428 million from the same period of 2008. The loss was mainly attributable to the write-down of inventories made during the first half of 2009 in accordance with relevant accounting principles as a result of continuous decline in fertilizer prices in the domestic market and high cost of inventories. The profit of the Production Segment fell by RMB165 million from the same period of 2008. This was mainly caused by highly-priced raw material (mainly sulfur) for phosphate fertilizer production enterprises, incurring an increase in production cost for the first half of 2009. The prices of fertilizers in domestic market slumped in the first half of 2009 due to oversupply, making phosphate fertilizer production enterprises operating at loss.

Management Discussion and Analysis

II. Profit

1. Gross profit and gross profit margin

For the six months ended 30 June 2009, gross profit of the Group was RMB679 million, representing a decrease of RMB1,421 million or 67.68% from the corresponding period of 2008.

In the first half of 2009, potash price continued to fall in the domestic market, which caused a sharp drop in the Group's potash profitability and subsequently, less contribution to the Group's overall profit. This was the major reason for the falling gross profit of the Group during the first half of 2009. Since its public listing, the Company has always adhered to the development strategy of "centering on marketing and distribution and expanding into both production and network distribution", and such a strategy has achieved desired effect in the downturn of the fertilizer market. In 2008, the Group completed the acquisitions of Sinochem Pingyuan Chemical Company Limited ("Sinochem Pingyuan") and Sinochem Jilin Changshan Chemical Company Limited ("Sinochem Changshan"), increasing its nitrogen production capacity to 2.31 million tons. In the first half of 2009, the increased fertilizer output and improved management in these two production plants provided the distribution network with adequate cost-competitive fertilizer supplies. Accordingly, the gross profit margin of the nitrogen business maintained stable at the same level of the corresponding period of 2008. In addition, the gross profit margin of the phosphate and compound fertilizer business was also stable.

In general, for the six months ended 30 June 2009, gross profit margin of the Group was 5.43%, down by 3.98 percentage points from the same period of 2008.

2. Share of results of jointly controlled entities

For the six months ended 30 June 2009, the share of results of jointly controlled entities of the Group was a loss of RMB38 million, which was RMB129 million less than that of RMB91 million in the same period of 2008, or down by 141.76%. The major reason was that during the first half of 2009, the Group's jointly controlled phosphate fertilizer enterprises had to consume their high-cost raw materials carried forward from the 4th quarter of 2008, making production cost high. Together with the falling prices due to weak market demand, there was a sharp drop in the profitability, compared with the corresponding period in 2008, of these phosphate fertilizer enterprises. Some of them recorded a loss, and therefore, making less profit contribution to the Group.

3. Share of results of associates

For the six months ended 30 June 2009, the share of results of associates of the Group amounted to RMB131 million, which was RMB121 million more than that of RMB10 million in the same period of 2008. This was mainly attributed to:

(1) The share of results contributed by Qinghai Salt Lake Potash Co., Ltd ("Qinghai Salt Lake Potash") for the six months ended 30 June 2009 was for the period from January to June 2009, while its contribution for the corresponding period of 2008 was from March (the month that acquisition was completed) to June 2008; and

(2) In connection with the fair value gain on identifiable assets of Qinghai Salt Lake Potash as at 17 March 2008 (the completion date of the acquisition), the corresponding fair value gain on inventories had been fully amortized in 2008. Accordingly, the investment return from Qinghai Salt Lake Potash for the first half of 2009 only included the amortization of fair value gain from fixed assets and intangible assets.

4. *Income tax credit*

For the six months ended 30 June 2009, income tax credit of the Group was RMB307 million, which was mainly due to the recognition of deferred tax asset of RMB322 million as a result of the write-down of inventories recorded by the Group for the six months ended 30 June 2009.

The subsidiaries of the Group were registered in China mainland, Macao and Hong Kong, respectively, where profit tax rates vary. Among them, the tax rate of China mainland is 25%, the Group's profit derived from Macao is exempted from 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.

5. *Other expenses*

For the six months ended 30 June 2009, other expenses amounted to RMB1,320 million, which was up by 1,169.23%, or RMB1,216 million more than that of RMB104 million for the same period of 2008. The main reason was that the Group recorded write-down in value of inventories as at 30 June 2009 according to relevant accounting principles due to falling fertilizer prices under the impact of the financial crisis during the first half of 2009, the amount of which was RMB1,293 million.

6. *Loss attributable to shareholders and net loss margin*

For the six months ended 30 June 2009, loss attributable to shareholders was RMB828 million, which was RMB2,041 million less than profit attributable to shareholders for the same period of 2008, or a decrease of 168.27%. This was mainly attributable to the decrease in turnover by 43.96% and the decrease in gross profit by RMB1,421 million, as well as write-down of inventories made as at 30 June 2009 using the prudent principle. For the six months ended 30 June 2009, write-down of inventories amounted to RMB1,293 million.

For the six months ended 30 June 2009, net loss margin attributable to shareholders was 6.62%, which was much lower than the net profit margin of 5.43% for the same period of 2008.

Management Discussion and Analysis

III. Expenditures

1. Selling and distribution expenses

For the six months ended 30 June 2009, selling and distribution expenses were RMB317 million, down by RMB51 million from that of RMB368 million for the corresponding period of 2008. This was mainly attributable to the decrease in sales volume, which in turn proportionally decreased logistics expenses as compared with the corresponding period of 2008.

2. Finance costs

For the six months ended 30 June 2009, finance costs were RMB239 million, up by RMB150 million, or 168.54% over that of RMB89 million for the corresponding period of 2008. This was mainly attributable to higher finance costs resulted from slower inventory turnover rate and higher capital demand.

IV. Inventory Turnover

The inventory balance of the Group as at 30 June 2009 was RMB11,375 million, decreased by RMB195 million, or 1.69% from RMB11,570 million as at 31 December 2008. Weakening demand in the domestic fertilizer market led to a decline in sales volume, and subsequently lower inventory turnover rate. Inventory turnover days (note) increased from 78 days in 2008 to 175 days in the first half of 2009.

Note: Inventory turnover days for the six months ended 30 June 2009 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 2008 was calculated on the basis of average inventory balance as at the end of the reporting period divided by cost of goods sold in 2008, and multiplied by 360 days.

V. Trade and Bills Receivables Turnover

The balance of the Group's trade and bills receivables as at 30 June 2009 was RMB987 million, decreasing by RMB1,242 million, or 55.72% from that of RMB2,229 million as at 31 December 2008. This was mainly attributable to decline in sales due to shrinking demand and more strict credit policy of the Group during the first half of 2009.

As the 43.96% decrease in turnover from the corresponding period of 2008 was less than the decline rate of the balance of the trade and bills receivables, trade and bills receivables turnover days (note) increased from 10 days in 2008 to 15 days in the first half of 2009.

Note: Turnover days for the six months ended 30 June 2009 was calculated on the basis of average trade and bills receivables (excluding bills discounted to banks) balance as at the end of the reporting period divided by turnover for the reporting period, and multiplied by 180 days.

Turnover days for 2008 was calculated on the basis of average trade and bills receivables (excluding bills discounted to banks) balance as at the end of the reporting period divided by turnover in 2008, and multiplied by 360 days.

VI. Others

1. Available-for-sale Investment

As at 30 June 2009, the balance of the Group's available-for-sale investment was RMB690 million, increased by RMB188 million, or 37.45% over that of RMB502 million as at 31 December 2008. This was mainly attributable to the increase in fair value of RMB191 million derived from the increase in share price of the Group's investments including Hualu Hengsheng Chemical Co, Ltd and Luxi Chemical Industry Co., Ltd due to rally in the Chinese stock market during the first half of 2009.

2. Advance Payments and Other Receivables

As at 30 June 2009, the balance of the Group's advance payments and other receivables was RMB1,322 million, decreased by RMB377 million, or 22.19% from that of RMB1,699 million as at 31 December 2008. Among this, the balance of advance payments as at the current period decreased by RMB425 million from that as at 31 December 2008, which was mainly attributable to procurement control in light of market recession.

3. Trade and Bills Payables

As at 30 June 2009, the balance of the Group's trade and bills payables was RMB4,121 million, decreased by RMB42 million, or 1.01% from that of RMB4,163 million as at 31 December 2008. Among this, the balance of trade payables as at the current period decreased by RMB2,144 million from that as at 31 December 2008, which was mainly caused by decreased potash imports during the reporting period; the balance of bills payables as at the current period increased by RMB2,102 million over that as at 31 December 2008, which was mainly attributable to increased payments made in bills by the Group in order to reduce finance costs.

4. Receipts in Advance and Other Payable

As at 30 June 2009, the balance of the Group's receipts in advance and other payable was RMB990 million, decreased by RMB836 million, or 45.78% from that of RMB1,826 million as at 31 December 2008. This was because customers made less prepayments for purchases due to the financial crisis.

5. Convertible Loan Notes

The Group issued 130,000 zero-coupon notes with face value of HK$10,000 each on 7 August 2006.

As at 30 June 2009, the total face value of outstanding convertible loan notes was HK$622 million, which remained unchanged from that as at 31 December 2008. According to relevant accounting standards, the Group arranged an independent assessment on the fair value of outstanding convertible loan notes. The gain arising from the change in fair value of derivative component of the convertible loan notes and the amortized finance costs to the convertible loan notes was RMB24 million and RMB20 million, respectively, which were reflected in the condensed consolidated statement of comprehensive income for the period.

Management Discussion and Analysis

VII. Other Financial Indicators

Basic loss per share for the six months ended 30 June 2009 was RMB0.1181, which fell by 167.80% from that for the same period last year. Return on equity (ROE) for the six months ended 30 June 2009 was -6.37%, decreased by 13.23 percentage points from that for the same period last year. This was mainly attributable to a decrease of 168.27% in profit attributable to shareholders as compared with the same period of the previous year.

	For the six months ended 30 June 2009	For the six months ended 30 June 2008 *(Note 3)*
Profitability		
(Loss) Earnings per share (RMB) *(Note 1)*	**(0.1181)**	0.1742
ROE *(Note 2)*	**(6.37%)**	6.86%

Note 1: Calculated on the basis of (loss) profit attributable to shareholders for the reporting period (excluding minority interests) divided by weighted average number of shares for the reporting period.

Note 2: Calculated on the basis of (loss) profit attributable to shareholders for the reporting period (excluding minority interests) divided by total equity (excluding minority interests) as at the end of the reporting period.

Note 3: The figure for the six months ended 30 June 2008 was calculated on the basis of dividing the ROE for the year ended 31 December 2008 by two.

As at 30 June 2009, the Group's current ratio was 1.05, and the debt-to-equity ratio was 70.44%.

	As at 30 June 2009	As at 31 December 2008
Solvency		
Current ratio *(Note 1)*	**1.05**	1.07
Debt-to-Equity ratio *(Note 2)*	**70.44%**	57.89%

Note 1: Calculated on the basis of current assets divided by current liabilities as at the reporting date.

Note 2: Calculated on the basis of interest-bearing debt (excluding bank advances from discounted bills) divided by total equity as at the reporting date.

VIII. Liquidity and Financial Resources

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

As at 30 June 2009, cash and cash equivalents of the Group amounted to RMB190 million, which was mainly denominated in RMB and US dollar.

Set out below is an analysis of long-term and short-term loans denominated in both RMB and US dollar of the Group:

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
Secured	**585,610**	346,841
Unsecured	**8,659,368**	8,173,078
Total	**9,244,978**	8,519,919
Within one year	**8,089,881**	7,536,557
Within 1 to 5 years	**1,045,097**	853,362
Over 5 years	**110,000**	130,000
Total	**9,244,978**	8,519,919
Fixed interest rate	**4,679,211**	5,079,805
Floating interest rate	**4,565,767**	3,440,114
Total	**9,244,978**	8,519,919

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

As at 30 June 2009, the Group had banking facilities totalling RMB23,800 million, including US$1,060 million and RMB16,500 million. The amount of utilized banking facilities was RMB11,800 million (including US$205 million and RMB10,400 million), and the amount of unutilized banking facilities was RMB12,000 million (including US$855 million and RMB6,100 million).

IX. Business and Financial Risks

The Group's major operation risks include: price fluctuations of the fertilizer market, and operating uncertainties caused by governmental influence such as influence on the potash contract negotiations.

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

Management Discussion and Analysis

Most of the Group's assets, liabilities and transactions are denominated in RMB, US dollars and Hong Kong dollars. The exchange rates of RMB against US dollars and Hong Kong dollars are relatively stable. The fluctuations of foreign currencies did not have a significant impact on the performance of the Group. In addition, the management kept monitoring and controlling the above risks so as to reduce any potential negative effect on the Group's financial performance.

Credit risk

The highest credit risk the Group confronted with was that the counterparties fail 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 2009. The Group has adequate monitoring procedures in respect of granting credit line, credit approval and other related aspects so as to ensure the timely follow-up of overdue debt so as to greatly reduce the credit risk.

Liquidity risk

In order to manage the liquidity risk, the Group monitored and maintained sufficient cash and cash equivalent of the Group, raised funds to fulfil the operation requirements as necessary and maintained a stable cash flow of the Group. The management kept monitoring the application of bank borrowings so as to reduce liquidity risk of the Group.

X. Contingent Liabilities

As at 30 June 2009, the Group had no material contingent liabilities.

XI. Capital Commitment

Set out below is an analysis of the Group's capital commitment as at 30 June 2009:

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
Assets under construction		
Contracted but not provided for	**525,409**	602,041
Authorized but not contracted for	**148,107**	110,973
Total	**673,516**	713,014

Capital commitment stated above was mainly additional equipment investment on assets under construction. Besides the capital commitment stated above, the Group had no other material plans for major investment or capital asset acquisition.

XII. Major Investment and Disposal

As at 30 June 2009, the Group had no material investment expenditure or disposal.

XIII. 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 remuneration payable to directors is 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 reviews the emoluments of the directors from time to time. 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 2009, the Group had about 11,100 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 provided certain non-monetary benefits, such as training, to its employees. For the six months ended 30 June 2009, the Group provided approximately 9,674 hours of training for about 2,735 employees. The training courses covered areas such as industry development, business knowledge, marketing, lean management, production management, information technology, production safety and work ethics. These training further improved the management skills and professional standard of the management of the Group and enhanced the overall quality of the employees so as to cater for the Group's rapid developments and to improve the competitiveness of the Group.

Independent Review Report

Deloitte.
德勤

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF SINOFERT HOLDINGS LIMITED

Introduction

We have reviewed the interim financial information set out on pages 21 to 40, which comprises the condensed consolidated statement of financial position of Sinofert Holdings Limited (the "Company") and its subsidiaries as of 30 June 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 18 August 2009

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Notes	**Six months ended 30 June 2009 RMB'000 (unaudited)**	Six months ended 30 June 2008 RMB'000 (unaudited and restated)
Revenue	3	**12,505,419**	22,315,966
Cost of sales		**(11,826,750)**	(20,216,221)
Gross profit		**678,669**	2,099,745
Other income		**160,718**	69,512
Selling and distribution expenses		**(317,075)**	(368,288)
Administrative expenses		**(227,862)**	(229,421)
Other expenses		**(1,319,990)**	(103,846)
Gain on settlement of convertible loan notes		**–**	2,470
Gain on disposal of available-for-sale investments		**–**	62,593
Changes in fair value of derivative financial instruments		**24,098**	(48,028)
Finance costs	4	**(239,000)**	(88,830)
Share of results of jointly controlled entities		**(37,720)**	91,012
Share of results of associates		**130,709**	9,812
(Loss) profit before taxation	5	**(1,147,453)**	1,496,731
Income tax credit (charge)	6	**307,393**	(243,579)
(Loss) profit for the period		**(840,060)**	1,253,152
Other comprehensive income			
Exchange differences arising on translation		**(2,024)**	(145,984)
Changes in fair value of available-for-sale investments		**190,827**	(213,074)
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of available-for-sale investments		**–**	(62,593)
Income tax relating to components of other comprehensive income		**(47,231)**	68,692
Other comprehensive income for the period		**141,572**	(352,959)
Total comprehensive income for the period		**(698,488)**	900,193

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Notes	**Six months ended 30 June 2009 RMB'000 (unaudited)**	Six months ended 30 June 2008 RMB'000 (unaudited and restated)
(Loss) profit for the period attributable to:			
– Owners of the Company		**(827,931)**	1,212,713
– Minority interests		**(12,129)**	40,439
		(840,060)	1,253,152
Total comprehensive income attributable to:			
– Owners of the Company		**(686,359)**	859,753
– Minority interests		**(12,129)**	40,440
		(698,488)	900,193
(Loss) earnings per share			
Basic (RMB)	*8*	**(0.1181)**	0.1742
Diluted (RMB)	*8*	**(0.1181)**	0.1738

Condensed Consolidated Statement of Financial Position

At 30 June 2009

	Notes	As at 30 June 2009 RMB'000 (unaudited)	As at 31 December 2008 RMB'000
Non-current Assets			
Investment properties	9	**14,600**	14,600
Long-term assets			
Property, plant and equipment	9	**4,705,246**	4,580,533
Other long-term assets		**57,514**	46,801
Prepaid lease payments		**498,363**	512,240
Interests in associates		**6,971,281**	7,063,039
Interests in jointly controlled entities		**758,295**	792,921
Available-for-sale investments		**690,472**	501,710
Advance payment for acquisition of property, plant and equipment		**120,598**	151,827
Goodwill		**579,614**	579,757
Deferred tax assets		**524,682**	189,265
		14,920,665	14,432,693
Current Assets			
Inventories		**11,375,438**	11,569,643
Prepaid lease payments		**26,621**	26,621
Trade and bills receivables	10	**987,366**	2,228,667
Advance payments and other receivables		**1,321,909**	1,699,218
Pledged bank deposits		**86,426**	7,936
Bank balances and cash		**189,840**	160,302
		13,987,600	15,692,387
Current Liabilities			
Trade and bills payables	11	**4,120,996**	4,163,401
Receipts in advance and other payable		**989,678**	1,825,904
Derivative financial instruments	12	**–**	199,204
Tax liabilities		**172,467**	320,511
Convertible loan notes	12	**–**	587,166
Borrowings – due within one year	13	**8,089,881**	7,536,557
		13,373,022	14,632,743
Net Current Assets		**614,578**	1,059,644
Total Assets less Current Liabilities		**15,535,243**	15,492,337

Condensed Consolidated Statement of Financial Position

At 30 June 2009

	Notes	**As at 30 June 2009 RMB'000 (unaudited)**	As at 31 December 2008 RMB'000
Capital and Reserves			
Issued equity	*14*	**8,248,707**	8,233,245
Reserves		**4,746,284**	5,718,344
Equity attributable to owners of the Company		**12,994,991**	13,951,589
Minority interests		**408,138**	418,776
Total Equity		**13,403,129**	14,370,365
Non-current Liabilities			
Borrowings – due after one year	*13*	**1,155,097**	983,362
Derivative financial instruments	*12*	**175,017**	–
Convertible loan notes	*12*	**606,761**	–
Deferred income		**45,976**	33,267
Deferred tax liabilities		**149,263**	105,343
		2,132,114	1,121,972
Total Equity and Non-current Liabilities		**15,535,243**	15,492,337

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Attributable to owners of the Company											
	Issued equity RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Investment revaluation reserve RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
		(Note a)	*(Note b)*	*(Note c)*								
At 1 January 2008	3,078,496	255,531	332,115	384,071	585,877	12,074	–	(301,296)	3,160,974	7,507,842	254,940	7,762,782
Profit for the period (restated)	–	–	–	–	–	–	–	–	1,212,713	1,212,713	40,439	1,253,152
Exchange differences arising on translation	–	–	–	–	–	–	–	(145,985)	–	(145,985)	1	(145,984)
Change in fair value of available-for-sale investments	–	–	–	–	(213,074)	–	–	–	–	(213,074)	–	(213,074)
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of available-for-sale investments	–	–	–	–	(62,593)	–	–	–	–	(62,593)	–	(62,593)
Income tax relating to components of other comprehensive income	–	–	–	–	68,692	–	–	–	–	68,692	–	68,692
Total comprehensive income	–	–	–	–	(206,975)	–	–	(145,985)	1,212,713	859,753	40,440	900,193
Deemed distribution *(note 15(a))*	–	–	(56,384)	–	–	–	–	–	–	(56,384)	–	(56,384)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	143,214	143,214
Deemed contribution from ultimate holding company	–	–	210,000	–	–	–	–	–	–	210,000	–	210,000
Exercise of share options	12,075	–	–	–	–	(2,548)	–	–	–	9,527	–	9,527
Recognition of equity-settled share-based payments	–	–	–	–	–	2,069	–	–	–	2,069	–	2,069
Forfeiture of share options	–	–	–	–	–	(384)	–	–	384	–	–	–
Dividends paid	–	–	–	–	–	–	–	–	(169,987)	(169,987)	–	(169,987)
Placement of new shares	4,660,200	–	–	–	–	–	–	–	–	4,660,200	–	4,660,200
Shares issued upon conversion of convertible loan notes	479,987	–	–	–	–	–	–	–	–	479,987	–	479,987
At 30 June 2008 (unaudited and restated)	8,230,758	255,531	485,731	384,071	378,902	11,211	–	(447,281)	4,204,084	13,503,007	438,594	13,941,601
At 1 January 2009	8,233,245	255,531	485,551	384,071	57,256	11,872	–	(378,452)	4,902,515	13,951,589	418,776	14,370,365
Loss for the period	–	–	–	–	–	–	–	–	(827,931)	(827,931)	(12,129)	(840,060)
Exchange differences arising on translation	–	–	–	–	–	–	–	(2,024)	–	(2,024)	–	(2,024)
Change in fair value of available-for-sale investments	–	–	–	–	190,827	–	–	–	–	190,827	–	190,827
Income tax relating to components of other comprehensive income	–	–	–	–	(47,231)	–	–	–	–	(47,231)	–	(47,231)
Total comprehensive income	–	–	–	–	143,596	–	–	(2,024)	(827,931)	(686,359)	(12,129)	(698,488)
Dividends paid	–	–	–	–	–	–	–	–	(286,896)	(286,896)	–	(286,896)
Dividends paid to minority interests	–	–	–	–	–	–	–	–	–	–	(668)	(668)
Recognition of equity-settled share-based payments	–	–	–	–	–	1,258	–	–	–	1,258	–	1,258
Reserve for legal provision for production safety	–	–	–	–	–	–	3,239	–	–	3,239	2,159	5,398
Forfeiture of share options	–	–	–	–	–	(255)	–	–	255	–	–	–
Exercise of share options	15,462	–	–	–	–	(3,302)	–	–	–	12,160	–	12,160
At 30 June 2009 (unaudited)	8,248,707	255,531	485,551	384,071	200,852	9,573	3,239	(380,476)	3,787,943	12,994,991	408,138	13,403,129

a. The merger reserve of the Group comprises of the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the holding companies as consideration for the group restructuring transactions in previous years.

b. The capital reserve of the Group comprises of contributions from owners in respect of settlement of doubtful receivables (already written off) and transfer of equity interest in a jointly controlled entity to the Group in previous years.

c. Statutory reserve comprises of reserve fund and enterprise expansion fund. In accordance with relevant rules and regulations on foreign investment enterprise established in the People's Republic of China (the "PRC"), the Company's PRC subsidiaries are required to transfer a portion of their profit after income tax to the reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The appropriation to the enterprise expansion fund is solely determined by the board of directors of the subsidiaries in the PRC. Reserve fund and enterprise expansion fund may be distributed to shareholders in the form of bonus issue.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2009

	Note	**Six months ended 30 June 2009 RMB'000 (unaudited)**	Six months ended 30 June 2008 RMB'000 (unaudited)
Net cash from operating activities		**23,197**	2,409,925
Net cash used in investing activities			
Purchases of property, plant and equipment		**(218,751)**	(289,544)
Additional investment in available-for-sale investments		**–**	(27,460)
Acquisition of a jointly controlled entity		**(4,000)**	(146,179)
Acquisition of a subsidiary	*15(b)*	**–**	(612,192)
Acquisition of other long-term assets		**(6,388)**	–
Acquisition of an associate		**(12,737)**	(4,717,433)
Proceeds from disposal of available-for-sale investments		**–**	88,749
Other investing cash flows (net)		**43,336**	(39,590)
		(198,540)	(5,743,649)
Net cash from financing activities			
Additional borrowings		**8,261,616**	8,040,864
Repayments of borrowings		**(7,536,557)**	(8,830,854)
Dividends paid		**(286,896)**	(169,987)
Dividends paid to minority interests		**(668)**	–
Interest paid		**(245,798)**	(67,429)
New shares issued		**–**	4,660,200
Proceeds from exercise of options		**12,160**	9,527
Other financing cash flows (net)		**61**	(13,428)
		203,918	3,628,893
Net increase in cash and cash equivalents		**28,575**	295,169
Cash and cash equivalents at 1 January		**160,302**	115,311
Effect of foreign exchange rate changes		**963**	1,163
Cash and cash equivalents at 30 June, represented by			
Bank balances and cash		**189,840**	411,643

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

1. Basis of Preparation

The condensed consolidated financial statement of Sinofert Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting.

The provisionally estimated fair values of assets acquired and liabilities assumed in the acquisition of 75% equity interest in Sinochem Pingyuan Chemical Company Limited 中化平原化工有限公司 ("Sinochem Pingyuan", formerly known as Shandong Deqilong Chemical Company Limited 山東德齊龍化工集團有限公司) on the date of acquisition were used for preparation of the 2008 interim financial information. The fair value assessment was completed at the end of 2008. Therefore, results in the six-month period ended 30 June 2008 have been restated to reflect the fair value of assets acquired and liabilities assumed in the acquisition. Profit for the six months ended 30 June 2008 decreased by approximately RMB28 million, due to the reversal of a discount recognised relating to the acquisition of Sinochem Pingyuan. Please refer to note 15(b) for the details.

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost convention except for investment properties and certain financial instruments, which are measured at fair values. The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2009.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14, Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

2. Principal Accounting Policies (Continued)

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HK (IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK (IFRIC)-Int 18	Transfers of Assets from Customers[3]

1 Effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 January, 2009, 1 July 2009 and 1 January 2010, as appropriate

3 Effective for transfers on or after 1 July 2009

4 Effective for annual periods beginning on or after 1 January 2010

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Segment Information

The Group has adopted HKFRS 8, Operating Segments, effective from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

3. Segment Information (Continued)

The Group's operating segments under HKFRS 8 are as follows:

Sourcing and distribution	– 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 (loss) profit by operating segments:

	Six months ended 30 June 2009			
	Sourcing and distribution RMB'000	**Production RMB'000**	**Elimination RMB'000**	**Total RMB'000**
Revenue				
External revenue	**10,924,100**	**1,581,319**	**–**	**12,505,419**
Inter-segment revenue	**154,519**	**1,607,231**	**(1,761,750)**	**–**
	11,078,619	**3,188,550**	**(1,761,750)**	**12,505,419**
Segment loss	**(1,124,433)**	**(32,500)**		**(1,156,933)**
Corporate expenses				**(14,625)**
Corporate income				**146,018**
Interest expenses on bank borrowings				**(239,000)**
Changes in fair value of derivative financial instruments				**24,098**
Share of results of jointly controlled entities		**(37,720)**		**(37,720)**
Share of result of associates	**4**	**130,705**		**130,709**
Loss before taxation				**(1,147,453)**

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

3. Segment Information (Continued)

	Six months ended 30 June 2008			
	Sourcing and distribution RMB'000	Production RMB'000	Elimination RMB'000	Total RMB'000
Revenue				
External revenue	20,481,742	1,834,224	–	22,315,966
Inter-segment revenue	3,929,547	1,434,407	(5,363,954)	–
	24,411,289	3,268,631	(5,363,954)	22,315,966
Segment profit	1,303,521	132,307		1,435,828
Corporate expenses				(17,841)
Corporate income				112,308
Interest expenses on bank borrowings				(88,830)
Changes in fair value of derivative financial instruments				(48,028)
Gain on settlement of convertible loan notes				2,470
Share of results of jointly controlled entities		91,012		91,012
Share of result of an associate		9,812		9,812
Profit before taxation				1,496,731

Segment (loss) profit represents the (loss) profit generated by each segment without allocation of central administration costs, share of results of associates and jointly controlled entities, investment revenue, non-recurring income/expenses and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

4. Finance Costs

	Six months ended 30 June 2009 RMB'000	Six months ended 30 June 2008 RMB'000
Interest on bank borrowings		
– wholly repayable within five years	**241,798**	64,297
– not wholly repayable within five years	**4,307**	3,132
Interest on convertible loan notes	**19,860**	21,401
Less: amount capitalised	**(26,965)**	–
	239,000	88,830

Note: Borrowing costs capitalised during the period arose on the general borrowing pool and are calculated by applying a capitalization rate of 6.53% per annum to expenditure on qualifying assets.

5. (Loss) Profit Before Taxation

	Six months ended 30 June 2009 RMB'000	Six months ended 30 June 2008 RMB'000
(Loss) profit before taxation has been arrived at after charging:		
Amortization of prepaid lease payments	**13,877**	1,691
Amortization of other long-term assets	**4,744**	–
Write-down of inventories, included in other expenses *(note)*	**1,292,924**	–
Depreciation of property, plant and equipment	**120,695**	49,423
Deferred income released	**2,034**	250
Provision for impairment of receivables	**9,817**	–

Note: During the period, there was a significant decrease in the net realizable value of fertilizers due to the decrease of market price. As a result, a write-down of approximately RMB1,292,924,000 in inventory has been recognized in other expenses.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

6. Income Tax Credit (Charge)

	Six months ended 30 June 2009 RMB'000	Six months ended 30 June 2008 RMB'000
The credit (charge) comprises:		
Current tax:		
Hong Kong Profits Tax	**(1,600)**	(26,863)
PRC Enterprise Income Tax	**(29,735)**	(218,153)
	(31,335)	(245,016)
Deferred tax:		
Current period *(note)*	**338,728**	1,437
	307,393	(243,579)

Note: The income tax credit in the current period is mainly due to the recognition of deferred tax assets for the write-down of inventories of approximately RMB1,292,924,000.

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the periods under review.

People's Republic of China (the "PRC") Enterprise Income Tax is calculated at 25% on the estimated profit for the periods under review.

Sinochem Chongqing Fuling Chemical Fertilizer Company Limited ("Sinochem Fuling"), a 60% indirectly owned subsidiary of the Company, is currently subject to a preferential PRC enterprise income tax rate of 15% granted by the local tax bureau of Chongqing City in July 2001. According to the policy for the development of the western region of the PRC promulgated by the State Council, Sinochem Fuling is entitled to this preferential income tax treatment from 2002 to 2010 provided it is engaged in the projects listed in the Catalogue for Industries, Products and Technologies Currently and Particularly Encouraged by the State for Development (as amended in 2000) and its principal business and revenue from the principal operations accounts for over 70% of its total revenue. It is expected that Sinochem Fuling will meet the criteria to entitle to the preferential tax treatment for 2009.

7. Dividends

No interim dividend for the six months ended 30 June 2009 (2008: nil) has been declared.

During the period ended 30 June 2009, the final dividend for 2008 of approximately RMB286,896,000 at HK$0.0464 (approximate to RMB0.0409) per share has been paid. During the period ended 30 June 2008, the final dividend for 2007 of approximately RMB169,987,000 at HK$0.0276 (approximate to RMB0.0243) per share has been paid.

8. (Loss) Earnings Per Share

The calculation of the basic and diluted (loss) earnings per share is based on the following data:

	Six months ended 30 June 2009 RMB'000	Six months ended 30 June 2008 RMB'000 (restated)
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share	**(827,931)**	1,212,713
	'000 shares	'000 shares
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**7,011,655**	6,960,043
Effect of dilutive potential ordinary shares from share options	**–**	15,773
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**7,011,655**	6,975,816

The computation of diluted loss per share in the current period does not assume exercise of the outstanding share options and conversion of the Company's outstanding convertible loan notes as the effects of such exercise and conversion would be anti-dilutive.

The computation of diluted earnings per share for the period ended 30 June 2008 does not assume conversion of the Company's outstanding convertible loan notes as the effect of such conversion would be anti-dilutive.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

9. Property, Plant and Equipment and Investment Properties

During the period, the Group spent approximately RMB219,000,000 (2008: approximate to RMB290,000,000) mainly on the construction of new production plant. In the six months ended 30 June 2008, the Group acquired property, plant and equipment (including construction in progress) of approximately RMB2,227,000,000 through the acquisition of Sinochem Pingyuan.

At 30 June 2009, the Group's investment properties are fair valued by the directors by reference to market evidence of transaction prices for similar properties in the similar locations and conditions. No gains or losses arising from changes in the fair value have been recognised in profit or loss during the current period.

10. Trade and Bills Receivables

The Group allows a credit period of approximate 120 days to its trade customers. The aging analysis of trade and bills receivables net of allowance for doubtful debts at the balance sheet date is as follows:

	30 June 2009 **RMB'000**	31 December 2008 RMB'000
Within 90 days	**784,899**	1,993,881
91 days to 180 days	**163,570**	229,597
181 days to 365 days	**37,635**	1,494
Over 365 days	**1,262**	3,695
	987,366	2,228,667

11. Trade and Bills Payables

The aging analysis of trade and bills payables at the balance sheet date is as follows:

	30 June 2009 **RMB'000**	31 December 2008 RMB'000
Within 90 days	**3,600,820**	3,705,685
91 days to 180 days	**188,291**	323,218
181 days to 365 days	**266,866**	112,482
Over 365 days	**65,019**	22,016
	4,120,996	4,163,401

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

12. Convertible Loan Notes

The convertible loan notes have an early redemption option whereby the note holders have the right to require the Company to redeem, on 7 August 2009, in whole or in part of the notes at 115.55% of the face value of the notes, providing that the note holders notify the Company of their intention within a specific period of time. Upon the expiration of the notification period, no note holder has made any early redemption request. As a result, the liability component and derivative component of convertible loan notes have been reclassified as non-current liabilities as at 30 June 2009.

13. Borrowings

As at 30 June 2009, the Group's available unutilised banking facilities were approximately RMB12,000,000,000.

14. Issued Equity

	Six months ended 30 June 2009 RMB'000	Six months ended 30 June 2008 RMB'000
At the beginning of the period	**8,233,245**	3,078,496
Issue of new shares of par value of HK$0.10 each:		
Conversion of convertible loan notes	**–**	479,987
Issuance of new shares	**–**	4,660,200
Exercise of options *(Note)*	**15,462**	12,075
At the end of the period	**8,248,707**	8,230,758

Note: During the period, share option holders exercised options with fair value of approximately HK$3,700,000 (approximate to RMB3,300,000) (2008: HK$3,000,000 (approximate to RMB2,500,000)) and the new shares issued were included in the Company's issued equity.

15. Acquisition of Subsidiaries

(a) Sinochem Shandong Fertilizer Company Limited

On 20 February 2008, Sinochem Fertilizer Company Limited, a company incorporated in the PRC, an indirectly wholly-owned subsidiary of the Company, has completed an acquisition of 51% equity interest in Sinochem Shandong Fertilizer Company Limited ("Sinochem Shandong"), a limited liability company established in the PRC, from Sinochem Group (previously known as Sinochem Corporation, a company established in the PRC, the ultimate holding company of the Company), for a cash consideration of approximately RMB56,384,000.

The transfer of the controlling interest in Sinochem Shandong as mentioned above is regarded as a business combination involving entities or businesses under common control. Accordingly, the transaction is accounted for using the principles of merger accounting as set out in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, as if the transfer of the controlling interest in Sinochem Shandong has been completed as at the date of its incorporation.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

15. Acquisition of Subsidiaries (Continued)

(b) Sinochem Pingyuan

In June 2008, the Company completed an acquisition of 75% issued equity of Sinochem Pingyuan with consideration of RMB695,000,000. The fair value assessment was completed in December 2008. This transaction has been accounted for using the purchase method of accounting. The net assets acquired in the transaction, and the goodwill arising based on this assessment, are as follows:

	Acquiree's carrying amount before combination RMB'000	**Fair value adjustments** RMB'000	**Fair value** RMB'000
Net assets acquired:			
Property, plant and equipment	2,184,813	41,956	2,226,769
Prepaid lease payments	59,874	–	59,874
Other long-term assets	24,067	–	24,067
Deferred tax assets	2,325	–	2,325
Inventories	94,680	–	94,680
Trade and bills receivables	75,767	–	75,767
Advance payments and other receivables	41,767	–	41,767
Bank balances and cash	82,808	–	82,808
Trade and bills payables	(455,759)	–	(455,759)
Receipts in advance and other payable	(746,978)	–	(746,978)
Borrowings	(518,667)	–	(518,667)
Taxation liabilities	(313,796)	–	(313,796)
Net assets	530,901	41,956	572,857
Minority interests			(143,214)
Goodwill			265,357
			695,000
Total consideration			
Satisfied by:			
Cash			695,000
Net cash outflow arising on acquisition:			
Cash consideration			(695,000)
Bank balances and cash acquired			82,808
			612,192

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

16. Commitments

(a) Capital commitments

	30 June 2009	31 December 2008
	RMB'000	RMB'000
Capital expenditure in respect of property, plant and equipment:		
Contracted but not provided for	**525,409**	602,041
Authorized but not contracted for	**148,107**	110,973
	673,516	713,014

(b) Operating lease arrangements

The Group as lessee

The Group had future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	30 June 2009	31 December 2008
	RMB'000	RMB'000
Within one year	**22,850**	57,914
More than one year, but not exceeding five years	**19,130**	25,358
Exceeding five years	**18,327**	5,641
	60,307	88,913

The Group as lessor

The Group had contracted with tenants in respect of the rented premises which fall due as follows:

	30 June 2009	31 December 2008
	RMB'000	RMB'000
Within one year	**489**	616
More than one year, but not exceeding five years	**55**	231
	544	847

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

17. Related Party Transactions

(a) During the period, the Group has entered into the following significant transactions with related parties:

	Six months ended 30 June 2009 RMB'000	Six months ended 30 June 2008 RMB'000
Sales of fertilizers to ultimate holding company	**229,233**	338,430
Sales of fertilizers to related companies	**–**	176,142
Sales of fertilizers to jointly controlled entities	**11,159**	133,430
Purchases of fertilizers from ultimate holding company	**471,619**	241,397
Purchases of fertilizers from related companies	**546,059**	808,449
Purchases of fertilizers from jointly controlled entities	**1,255,639**	1,267,856
Purchases of fertilizers from an associate	**1,659,782**	213,134
Import service fee paid to ultimate holding company	**40**	86
Import service fee paid to related companies	**9,206**	6,117
Import service fee paid to jointly controlled entities	**167**	34,183
Rental expenses paid to a related company	**10,825**	9,924

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

17. Related Party Transactions (Continued)

(b) At the reporting date, the Group had the following significant balances with its related parties under trade and bills receivables, advance payments and other receivables and trade and bills payables:

	30 June 2009 RMB'000	31 December 2008 RMB'000
Trade receivables		
Sinochem Group *(note 3)*	–	265,260
Advance payments to suppliers		
Tianji Sinochem Gaoping Chemical Engineering Co., Ltd. *(note 2)*	**27,274**	86,449
Yunnan Three Circles-Sinochem-Cargill Fertilizer Co., Ltd. *(note 2)*	**17,429**	–
Gansu Wengfu Chemical Co., Ltd. *(note 2)*	**7,706**	–
Qinghai Salt Lake Potash Co., Ltd. ("Qinghai Salt Lake Potash", *note 4*)	–	477,860
Trade payables		
Sinochem Group *(note 3)*	**82,864**	–
Qinghai Salt Lake Potash *(note 4)*	**287,094**	–
Guizhou Xinxin Industrial Agricultural Trading Co., Ltd. *(note 4)*	**34,377**	–
Guiyang Sinochem Kailin Fertilizer Co., Ltd. *(note 2)*	**19,535**	19,535
Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. *(note 2)*	–	19,342
Gansu Wengfu Chemical Co., Ltd. *(note 2)*	–	20,784
Other receivables		
Beijing Chemsunny Property Co., Ltd. *(note 1)*	**4,279**	6,822
Bills payable		
Sinochem Group *(note 3)*	**1,454,166**	–
Qinghai Salt Lake Potash *(note 4)*	**568,000**	–
Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. *(note 2)*	**39,900**	–

Note 1: A fellow subsidiary of the Company, owned by the Company's ultimate holding company, Sinochem Group

Note 2: A jointly controlled entity of the Group

Note 3: The ultimate holding company of the Company

Note 4: An associate of the Group

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

17. Related Party Transactions (Continued)

(c) Transactions/balances with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-owned enterprises"). In addition, the Group itself is part of a larger group of companies under Sinochem Group which is controlled by the PRC government. Apart from the transactions with Sinochem Group and other related parties disclosed above, the Group also conducts business with other state-owned enterprises. The directors consider those state-owned enterprises are independent third parties so far as the Group's business transactions with them are concerned.

During the period, the Group entered into the following significant transactions with other state-owned enterprises as follows:

	Six months ended 30 June 2009 RMB'000	Six months ended 30 June 2008 RMB'000
Sales of fertilizers	**574,564**	1,000,197
Purchases of fertilizers	**3,340,024**	2,862,870

(d) Compensation of key management personnel

	Six months ended 30 June 2009 RMB'000	Six months ended 30 June 2008 RMB'000
Salaries and other benefits	**2,268**	2,401
Retirement benefit scheme contributions	**71**	63
Performance related incentive	**6,301**	7,092
Share-based payment	**403**	644
Fees	**654**	668
	9,697	10,868

18. Major Non-Cash Transactions

In the current period, Qinghai Salt Lake Potash has declared dividends of approximately RMB237,269,000 to the Group and both parties mutually agreed to settle the dividends with the Group's trade payable to Qinghai Salt Lake Potash.

Interim Dividend

The board of directors of the Company (the "Board") did not recommend the declaration of interim dividend for the six months ended 30 June 2009.

Directors' Interests in Shares and Underlying Shares

As at 30 June 2009, the interests of the directors and chief executives in the shares, share options, underlying shares and debt securities of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(a) Ordinary shares of HK$0.1 each of the Company

As at 30 June 2009, a director of the Company had long positions in the shares of the Company as follows:

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Harry Yang	Beneficial owner	600	0.000009%

(b) Share options of the Company

As at 30 June 2009, certain directors of the Company had interests in the share options granted under the Company's share option schemes as follows:

Name of director	Capacity	Number of share options held	Number of underlying shares of the Company
Liu De Shu	Beneficial owner	1,029,900	1,029,900
Song Yu Qing	Beneficial owner	730,600	730,600
Du Ke Ping	Beneficial owner	4,209,900	4,209,900
Chen Guo Gang	Beneficial owner	730,600	730,600
Harry Yang	Beneficial owner	894,600	894,600
Wade Fetzer III	Beneficial owner	256,000	256,000

Additional Information

(c) Derivative interests in the shares of the Company

Mr. Du Ke Ping and Mr. Harry Yang, being executive directors of the Company, have derivative interests in respect of 362,526 shares and 253,711 shares, respectively, in the Company within the meaning of Part XV of the SFO. These derivative interests represent Mr. Du's and Mr. Yang's respective entitlement to receive an equivalent value in cash of 362,526 shares and 253,711 shares in the Company, subject to, among other things, satisfaction of certain performance targets.

Save as disclosed above, as at 30 June 2009, none of the directors or chief executives of the Company had any interests or short positions in any shares, share options, underlying shares or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register maintained by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executives of the Company to acquire benefits by means of acquisition of shares in, or debt securities of, the Company or any other body corporate, and neither the directors nor chief executives of the Company, nor any of their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights during the period.

Substantial Shareholders

As at 30 June 2009, other than the directors or chief executives of the Company, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that, the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company:

Name of shareholder	**Number of issued ordinary shares held – long position**	**Percentage to the issued share capital of the Company**
Sinochem Group *(Note 1)*	3,698,660,874	52.72%
Sinochem Corporation *(Note 1)*	3,698,660,874	52.72%
Sinochem Hong Kong (Group) Company Limited ("Sinochem HK") *(Note 2)*	3,698,660,874	52.72%
Potash Corporation of Saskatchewan Inc. ("PotashCorp") *(Note 3)*	1,547,500,141	22.06%

Note 1: Sinochem HK is the wholly owned subsidiary of Sinochem Corporation (中國中化股份有限公司). Sinochem Corporation is the 98% owned subsidiary of Sinochem Group (中國中化集團公司, formerly known as Sinochem Corporation). Accordingly, Sinochem Group and Sinochem Corporation are deemed to be interested in 3,698,660,874 ordinary shares of the Company being corporate interest beneficially held by Sinochem HK.

Note 2: Sinochem HK was beneficially interested in 3,698,660,874 ordinary shares of the Company.

Note 3: These shares represent the corporate interest of PotashCorp held through its wholly owned subsidiary, PCS (Barbados) Investment Company Limited.

Save as disclosed above, other than the directors or chief executives of the Company, the Company has not been notified of any other relevant interests or short positions held by any other person in the issued share capital of the Company as at 30 June 2009.

Additional Information

Share Options of the Company

The Company has adopted share option schemes to provide incentives to directors and eligible employees. On 28 June 2007, the Company had passed a resolution at a shareholders' meeting for the adoption of a new share option scheme (the "New Share Option Scheme") and the termination of the then existing share option scheme adopted on 26 August 2002 (the "Old Share Option Scheme"). Outstanding share options granted prior to such termination shall continue to be valid and, subject to the vesting schedule, exercisable in accordance with the Old Share Option Scheme. Particulars of these share option schemes were detailed in the notes to the consolidated financial statements of the Company for the year ended 31 December 2008 as set out in the Company's 2008 annual report.

The following tables showed the movements in the Company's share options granted to the directors and the employees under both the Old Share Option Scheme and the New Share Option Scheme during the six months ended 30 June 2009.

Old Share Option Scheme

				Number of share options			
Grantees	**Date of grant**	**Exercisable period**	**Exercise price**	**Outstanding at 1 January 2009**	**Exercised during the period**	**Lapsed during the period**	**Outstanding at 30 June 2009**
		(Note 1)	HK$		*(Note 2)*		
Directors							
Liu De Shu	23 January 2006	23 January 2008 – 22 January 2012	1.672	1,219,800	(609,900)	–	609,900
Song Yu Qing	23 January 2006	23 January 2008 – 22 January 2012	1.672	949,200	(474,600)	–	474,600
Du Ke Ping	23 January 2006	23 January 2008 – 22 January 2012	1.672	4,399,800	(609,900)	–	3,789,900
Chen Guo Gang	23 January 2006	23 January 2008 – 22 January 2012	1.672	949,200	(474,600)	–	474,600
Harry Yang	23 January 2006	23 January 2008 – 22 January 2012	1.672	949,200	(474,600)	–	474,600
Employees							
Employees	23 January 2006	23 January 2008 – 22 January 2012	1.672	12,139,200	(5,606,800)	(68,400)	6,464,000
				20,606,400	(8,250,400)	(68,400)	12,287,600

Note 1: During the period between 23 January 2008 and 22 January 2009, no more than two-thirds of the total number of share options granted to each director and employee on 23 January 2006 can be exercised and the remaining share options are exercisable during the period after 22 January 2009 to 22 January 2012.

Note 2: The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised during the period was HK$4.09.

Note 3: No share options under the Old Share Option Scheme were granted or cancelled during the period.

Additional Information

New Share Option Scheme

Grantees	Date of grant	Exercisable period	Exercise price	Number of share options: Outstanding at 1 January 2009	Lapsed during the period	Outstanding at 30 June 2009
		(Note 4)	HK$			
Directors						
Liu De Shu	28 August 2007	28 August 2009 – 27 August 2013	4.990	420,000	–	420,000
Song Yu Qing	28 August 2007	28 August 2009 – 27 August 2013	4.990	256,000	–	256,000
Du Ke Ping	28 August 2007	28 August 2009 – 27 August 2013	4.990	420,000	–	420,000
Chen Guo Gang	28 August 2007	28 August 2009 – 27 August 2013	4.990	256,000	–	256,000
Harry Yang	28 August 2007	28 August 2009 – 27 August 2013	4.990	420,000	–	420,000
Wade Fetzer III	28 August 2007	28 August 2009 – 27 August 2013	4.990	256,000	–	256,000
Employees						
Employees	28 August 2007	28 August 2009 – 27 August 2013	4.990	6,500,000	(138,000)	6,362,000
				8,528,000	(138,000)	8,390,000

Note 4: The exercisable period of the share options granted to each director and employee can be analysed as:

(i) 33.3% of the share options granted will be exercisable on or after 28 August 2009;

(ii) 16.7% of the share options granted will be exercisable on or after 28 August 2010; and

(iii) If the total accumulated basic earnings per share of the Company for the three consecutive fiscal years ending 31 December 2009 is more than HK$0.674, a further 25% of the share options granted will be exercisable on or after 28 August 2010, and the remaining 25% of the share options granted will be exercisable on or after 28 August 2011; but if the total accumulated basic earnings per share of the Company for the three consecutive fiscal years ending 31 December 2009 is HK$0.674 or less, 50% of the share options granted will be forfeited on 28 August 2010.

All remaining unexercised share options will be forfeited on 28 August 2013.

Note 5: No share options under the New Share Option Scheme were granted, exercised or cancelled during the period.

Additional Information

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 2009.

Model Code for Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (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 2009.

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, and to comply with the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules. During the six months ended 30 June 2009 and up to the date of this report, the Company has complied with the code provisions set out in the Code, and its amendments from time to time, except for a deviation from the code provision E.1.2 as described below.

The code provision E.1.2 of the Code stipulates 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 10 June 2009 ("2009 AGM"), Mr. Liu De Shu, the Chairman of the Board, did not chair the meeting due to other essential business engagements. In order to ensure smooth holding of the 2009 AGM, the Chairman of the Board authorized and the directors attended the meeting elected Mr. Du Ke Ping, 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 had attended the 2009 AGM to answer relevant questions raised at the meeting, which was in compliance with other part of code provision E.1.2 of the Code.

Save as disclosed above, please refer to the "Corporate Governance Report" contained in the Company's 2008 annual report for more information about the corporate governance practices of the Company.

Additional Information

Disclosure of Information of Directors

Pursuant to the disclosure requirements under rule 13.51B(1) of the Listing Rules, the changes of information on directors are as follows:

Mr. Ko Ming Tung, Edward, independent non-executive director ("INED") of the Company was appointed as an INED of Interchina Holdings Company Limited in April 2009, whose shares are listed on the Main Board of the Stock Exchange.

In addition, Dr. Tang Tin Sek, INED of the Company resigned as an INED of Interchina Holdings Company Limited in April 2009, and retired as an INED of New Smart Energy Group Limited in June 2009, all of which are companies whose shares are listed on the Main Board of the Stock Exchange.

Audit Committee

The audit committee of the Company (the "Audit Committee") comprises three members, including Mr. Tse Hau Yin, Aloysius as Chairman, Mr. Ko Ming Tung, Edward and Dr. Tang Tin Sek as members, all of whom are independent non-executive directors of the Company.

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 for the six months ended 30 June 2009.

Board of Directors

As at the date of this report, the executive directors of the Company are Mr. Du Ke Ping (*Chief Executive Officer*) and Mr. Harry Yang; the non-executive directors of the Company are Mr. Liu De Shu (*Chairman*), Mr. Song Yu Qing (*Deputy Chairman*), Dr. Chen Guo Gang, Dr. Stephen Francis Dowdle and Mr. Wade Fetzer III; 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

Liu De Shu
Chairman

Hong Kong, 18 August 2009