中化化肥控股有限公司
SINOFERT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 297

NURTURING CHINA'S AGRICULTURE SECTOR

INTERIM REPORT **2010**

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Corporate Information

Board of Directors

Non-Executive Director
Mr. LIU De Shu *(Chairman)*

Executive Directors
Mr. FENG Zhi Bin *(Chief Executive Officer)*
Mr. Harry YANG

Non-Executive Directors
Mr. YANG Lin *(appointed on 26 August 2010)*
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
Mr. Harry YANG *(appointed on 26 August 2010)*

Nomination Committee
Mr. KO Ming Tung, Edward *(Chairman)*
Dr. Stephen Francis DOWDLE
Dr. TANG Tin Sek
Mr. TSE Hau Yin, Aloysius
Mr. Harry YANG *(appointed on 26 August 2010)*

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

Registered Office
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Principal Place of Business
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Wanchai, Hong Kong

Share Registrars and Transfer Offices

Bermuda (Principal office)
HSBC Bank Bermuda Limited
6 Front Street
Hamilton HM11
Bermuda

Hong Kong (Branch)
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Wanchai, Hong Kong

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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

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Chairman's Statement

Dear Shareholders,

Hereby I present to all the shareholders the interim results of Sinofert Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2010.

During the first half of 2010, the global fertilizer market witnessed a gradual recovery from the downturn caused by the financial crisis. However, due to excessive oversupply and increasingly intensified competition in the fertilizer market in China, as well as a series of natural disasters including prolonged chilly weather, rainstorms and snowstorms hitting northern China in the spring and drought and floodings in southern China, fertilizer demand was badly dampened with fertilizer prices remaining sluggish. In such a tough market situation, the Group firmly implemented the operation strategy of "being prudent in operations, quick-buy-and-quick-sell, always aware of risk control", and continuously strengthened the integrated synergy of upstream and downstream businesses of the Group. Total sales volume increased to 7.44 million tons, up by 17.15% compared to the same period in 2009, further consolidating the Company's leading status as the largest fertilizer distributor and service provider in China. Turnover of the Group was RMB13,246 million, up by 5.92% year on year; and profit attributable to shareholders was RMB340 million. The Company was able to reverse the trend of losses in 2009.

During the first half of 2010, the Group focused on resource acquisition and implementing lean management and technological innovations in the production sector so as to speed up the low-cost strategy and improve sustainable growth. In terms of distribution network, the Group continued to optimize the existing network layout, improved the quality of the network and operations, and actively promoted the intensive development of the network; the Group also actively explored in innovative operation and opened Fert-Mart agricultural input superstores to provide one-stop-shopping services for the farmers.

During the first half of 2010, against a bumpy market situation, the Group adhered to the prudent financial policy, and maintained a balanced financing structure to meet the capital need for the Group's operations and development. The Group also proactively implemented comprehensive risk management, continued to promote the optimization of relevant processes and achieved asset safety and operation safety of the Company.

Looking forward into the business environment for the Group in the second half of 2010 and onwards, we see favourable prospects for the future development of the Group as the Chinese economy maintains a good momentum of continuous growth and meanwhile the global economy is recovering gradually from the financial crisis. In this year, the Central Government has issued for seven consecutive years the No. 1 Document related to "Agriculture, Rural Areas and Farmers", continued to strengthen policies aiming to support and benefit "Agriculture, Rural Areas and Farmers", increased input in agriculture, improved infrastructure and promoted the steady development of agriculture and constant income increase of farmers, which are conducive for the domestic fertilizer industry to regain long-term growth momentum. In the situation of excessive oversupply and the trend of structural readjustment and reorganization of the Chinese fertilizer industry, the Group will bring into full play its leading advantage, actively participate in the industrial restructuring and enhance the position of the Group in the industry as well as its sustainability.

In the future, the Group will further improve the development strategy of "centering on marketing and distribution and expanding into both production and network distribution", strengthen the efforts in upstream resource acquisition, consolidate the industrial base, innovate the operation mode, enhance the market share and profitability, create value for the shareholders and make bigger contribution to China's food security and agricultural development.

Last but not the least, on behalf of the Board, I would like to take this opportunity to extend our heartfelt appreciation 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 to the Company.

Liu De Shu
Chairman of the Board

Hong Kong, 26 August 2010

Management Review and Prospect

Since the beginning of the year 2010, agricultural production encountered a series of natural disasters, including a prolonged chilly spring, rainstorms and snowstorms in northern China, droughts and floodings in southern China. These natural disasters delayed sales peak season for spring fertilizer application and substantially dampened fertilizer demand, which exerbated the oversupply situation in the fertilizer market in China and depressed fertilizer prices. The fertilizer industry in China was yet to recover from the downturn caused by the financial crisis, and fertilizer enterprises were exposed to even more operational risks and uncertainties.

According to the statistics of China fertilizer associations, China's annual urea production capacity is as high as 67 million tons, which is 30% more than actual consumption. Over 3 million tons of urea capacity is in long-term idle position, 45 urea plants are temporally shut down, nearly 2 million tons of new urea capacity has been delayed, and a large number of urea enterprises are operating in red. China's annual diammonia phosphate and monoammonia phosphate production capacity both have exceeded 13 million tons, which is 100% more than actual consumption. Currently, domestic potash production is able to meet over 50% of potash demand. However, adding up the potash import, the Chinese potash market is under increasing pressure of oversupply. Excessive supplies of all types of fertilizers led to an increasingly competitive fertilizer market, dragging down fertilizer prices by 10-15% by the end of June 2010 from their highs at the beginning of the year.

Against such a stern market environment, under the leadership of the Board of Directors, the Group followed the operation strategy of "being prudent in operations, quick-buy-and-quick-sell, always aware of risk control", continuously strengthened the synergic effects of integrated business model, continued to expand network construction while exploring new development mode and enhanced operation management and profitability.

Financial Highlights

For the six months ended 30 June 2010, the Group's turnover reached RMB13,246 million, increasing by 5.92% year on year; and profit attributable to shareholders of the Company reached RMB340 million, representing a recovery from the loss position in 2009. Under the background of a slack fertilizer market in the first half of the year, the Group's sales volume grew substantially, providing a strong support for profit-making.

Product Operations

To overcome the challenges of delayed fertilizer application season, sluggish demand and increased market risks, the Group enhanced market analysis to monitor closely the changes in supply and demand and strengthened product marketing ability and customer development, turning a loss into a profit. For the six months ended 30 June 2010, the Group's sales volume was 7.44 million tons, increasing by 17.15% year on year, which further consolidated the Group's leading market position as the largest fertilizer distributor and service provider in China. Among this, the sales volume of nitrogen, phosphates, compound fertilizers, potash and sulphur was 3.26 million tons, 1.82 million tons, 0.95 million tons, 1.18 million tons, and 0.20 million tons, respectively.

Production

For the six months ended 30 June 2010, the Group had no newly built project, expansion or new acquisition. Total fertilizer production capacity of subsidiaries and joint ventures of the Group remained to be 10.34 million tons. The Group focused on the implementation of the low-cost strategy for sustainable growth in production enterprises by carrying out lean management and technological innovations.

Sinochem Chongqing Fuling Chemical Fertilizer Company Limited ("Sinochem Fuling"), a subsidiary of the Group, successfully commissioned the waste heat recovery project from acid-making process and the wet-method phosphoric acid technology, uplifting the technological level and energy and material consumption index of Sinochem Fuling to top level in China's fertilizer industry. Sinochem Pingyuan Chemical Company Limited completed a series of technological upgrading projects including feedstock coal briquetting, desulphurization, polypeptide urea and ammonium sulphate, which also brought the energy and material consumption index to a fairly advanced level in the industry.

In March 2010, Sinochem Group, the Company's ultimate controlling shareholder, signed a framework agreement concerning the construction of nitrogen fertilizer production base with the government of Ningxia Hui Autonomous Region. The Group would undertake the task of developing the project and push forward the work provided that the coal resource needed for the project is secured.

Network Distribution

In 2010, the Group continued to optimize the network layout, improve the quality and operations of the distribution network. During the first half of 2010, 69 distribution outlets were newly built, bringing the total number of distribution outlets to 2,105 nationwide.

The distribution network continued to follow the guideline of "expanding customer base at township level and continuously substantiating the basis of operations", actively pushed forward the intensive growth of the network. In the first half of the year, the number of customers was 29,000, in which the number of customers at the village and township level was 25,000; the sales volume through distribution network was 5.64 million tons, accounting for 75.81% of the Group's total sales volume. Network distribution has been playing an increasingly important role in expanding the Group's market share with higher proportion in total sales volume.

The Group followed the development trend of domestic agricultural production and worked to explore new marketing modes. In June 2010, the first "Fert-Mart" superstore commenced business in Pingdu City, Shandong province, aiming to provide "one-stop shopping" services to emerging customers in the rural areas, such as big crop-growers, farmers' cooperatives, group-buying farmers and village retail stores. The first Fert-Mart superstore has been running fairly well with good results.

Management Review and Prospect

Internal Control and Management

The Group has always given top priority to the protection of shareholders' assets value in internal control and management. The Group adhered to a sound financial policy, actively expanded capital resources and maintained a balanced financing structure in meeting the capital requirements for the Group's development. The Group also fully utilized various financing channels to effectively reduce financing risks and finance cost. The Group enhanced finance and budget management and effectively reduced operation costs. By implementing comprehensive risk management, continuously improving work flows and enhancing internal auditing, the Group ensured the security of corporate assets and operations.

Corporate Social Responsibility

The Group always adheres to the corporate mission of "Harmonious China, Safe Agriculture, Sinofert whole-heartedly serving the Chinese farmers", and provides various agrichemical services to meet the needs of the end-users. In the first half of the year, a total of 1,370 agrichemical service events were held, including the one-month special campaign for the promotion of Sinochem agricultural potash fertilizer held in eight southern provinces. The Group cooperated with National Engineering Research Center for Wheat and China National Hybrid Rice R&D Center led by academician Prof. Yuan Longping, providing specialty fertilizer for wheat and super high yield rice. The Group also printed and distributed 12,000 booklets of "Fertilizer application guide" and 910,000 pieces of "Agro-technology promotion discount card" among Sinofert exemplary villages. In addition, the Group continues to sponsor the Sinochem Agri-Plaza program on China National Radio and the Sinofert Agricultural Express program on CCTV-7, which benefit the farmers with information and knowledge on better fertilizer application practice.

Outlook

In the first half of the year 2010, the world economy recovered slowly. The World Bank estimated that the global economy would grow by 2.7% in 2010. In the next half of the year and near future, the high unemployment rate in the United States and other developed countries, the timing of economic stimulating policy exit and debt crisis in some European countries all cast uncertainties for the economic recovery prospects. China's gross domestic product (GDP) grew by 11.1% for the first half of 2010, up by 3.7 percentage points from the same period of last year. It is estimated that the Chinese economy would grow at a reduced pace during the second half of the year and next year under the government macro-control.

In early 2010 the Central Government issued for seven consecutive years the No. 1 Document related to "Agriculture, Rural Areas and the Farmers", continued to strengthen policies aiming to support and benefit "Agriculture, Rural Areas and the Farmers", increased input in agriculture, improved the infrastructures and promoted the steady development of agriculture and constant income increase of the farmers. The agricultural sector was basically stable, with summer grain output reaching the third highest level over the past few decades. The Government also officially initiated the "50-Billion-Kilogram Grain Production Capacity Expansion Program". These positive factors provided solid foundation for domestic fertilizer industry to recover from the financial crisis and achieve continuous development. With gradual improvement of domestic and overseas economic environment, China's fertilizer market will recover from the slackness and regain growth momentum.

On the other hand, domestic fertilizer industry suffers from serious overcapacity, but industrial production is fragmented and the trend of restructuring and reorganization of the fertilizer industry in China is becoming more and more imminent. The key task of China's fertilizer industry during the "The 12th Five-year Plan" period is to promote mergers and acquisitions among the industry and the construction of large-scale fertilizer production bases. As a leading company in China's fertilizer industry, Sinofert will be more proactive in this respect.

The Group will continue to improve and implement the development strategy of "centering on marketing and distribution and expanding into both production and network distribution", make efforts to acquire natural resources, consolidate the Group's industrial base, implement the low-cost and lean production strategy to enhance the product competitiveness, and achieve a stable and sustainable industrial profitability. The Group will also continue to explore and implement the reform of network development mode, innovate operation management, serve the grass-roots customers with enriched product mix and continue to enhance the value and profitability of the distribution network; continue to strengthen the synergy between production and distribution network. We will also make use of the Company's comprehensive advantage to improve the ability of sustainable development, generate higher returns for the shareholders, hence playing a more positive role in ensuring China's food security and agricultural development.

Chronicle of Events

January 2010

- Four technological upgrading projects undertaken by three of the Group's subsidiaries won financial support from the state special fund for energy saving and emission reduction. These projects include a desulphurization project by Sinochem Pingyuan Chemical Company Limited, the fly ash brick-making project by Sinochem Jilin Changshan Chemical Company Limited ("Sinochem Changshan"), and the industrial ammonia phosphate and potassium dihydrogen phosphate project and the waste water treatment project by Sinochem Fuling.
- The first phase of Sinochem Fuling's waste heat recovery project went into operation, with the second phase commissioned in April 2010.

March 2010

- A Framework Agreement for Strategic Cooperation was signed by the Company's ultimate controlling shareholder, Sinochem Group and the Ningxia Hui Autonomous Region People's Government. The Group would undertake the task of developing the project and push forward the work provided that the coal resource needed for the project is secured.
- The Group entered into an agreement with China National Hybrid Rice R&D Center, and invited academician Prof. Yuan Longping as senior advisor. According to the agreement, the Group will provide strong support to Prof. Yuan's super hybrid rice program by utilizing high-quality agricultural potash fertilizer and other product advantages.
- The Company released its 2009 annual report.
- A nationwide campaign for the promotion of Sinochem agricultural potash was carried out in more than 300 agricultural counties. Nearly 1,000 country fair roadshows were held to publicize scientific farming and fertilizer application, which were well received by the farmers.

May 2010

- The 200,000 tons feedstock coal briquetting project was successfully commissioned at Sinochem Pingyuan Chemical Company Limited.
- The Group and the Agricultural Bank of China entered into cooperation to provide bank loans for the farmers by jointly issuing the "Agribank-Sinofert" banking cards to the farmers.

June 2010

- Both the desulphurization project and the polypeptide urea line went into successful operation at Sinochem Pingyuan Chemical Company Limited.
- The Company held its 2010 annual general meeting.
- The new state standards for compound (complex) fertilizers, which was jointly drafted by the National Fertilizer Quality Supervision Center (Shanghai), the Group and other organizations, went into effect.
- The first Fert-Mart Superstore of the Group, a modern warehouse style store for fertilizers and other agricultural inputs, was opened in Pingdu City, Shandong Province.
- The Company released the Sinofert Social Responsibility Report 2009.

For the six months ended 30 June 2010, sales volume of the Group was 7.44 million tons, and turnover was RMB13,246 million, up by 17.15% and 5.92%, respectively, from the corresponding period of 2009.

For the six months ended 30 June 2010, gross profit of the Group was RMB648 million, down by 4.48% from the corresponding period of 2009; profit attributable to shareholders was RMB340 million, turning a loss of RMB828 million for the same period of 2009 into a profit. Excluding the change in fair value of derivative component of convertible loan notes, profit attributable to shareholders was RMB230 million, which was an increase of RMB1,082 million over the corresponding period of 2009.

I. Operation Scale

1. Sales Volume

For the six months ended 30 June 2010, sales volume of the Group was 7.44 million tons, up by 17.15% over the corresponding period of 2009. The sales volume of both imported fertilizers and domestic fertilizers increased remarkably, with the volume of imported fertilizers up by 26.69% year on year to 1.41 million tons and the volume of domestic fertilizers up by 20.90% year on year to 5.80 million tons.

In terms of product mix, the sales volume of potash gained recovery growth, up by 97.06% year on year as a result of the Group's improvement of its potash marketing operations. With consolidated nitrogen supply base and core supplier system, sales volume of nitrogen rose by 24.01% year on year. The sales volume of phosphate increased by 8.64% thanks to good demand for high-concentration phosphate fertilizers during the spring fertilizer application season, which further strengthened the competitiveness of the Group in China's phosphate market. However, the sales volume of compound fertilizers decreased slightly by 5.56% from the same period of the previous year.

Management Discussion and Analysis

2. *Turnover*

For the six months ended 30 June 2010, turnover of the Group was RMB13,246 million, up by RMB741 million, or 5.92% over the corresponding period of 2009. The growth rate of turnover was lower than the 17.15% growth of sales volume, which was caused by falling fertilizer prices during first half of 2010.

The breakdown of turnover by product of the Group for the six months ended 30 June 2010 is as follows:

Table 1:

	For the six months ended 30 June			
	2010		2009	
	Turnover RMB'000	**As percentage of total turnover %**	Turnover RMB'000	As percentage of total turnover %
Potash Fertilizers	**3,188,399**	**24.07%**	2,156,662	17.25%
Nitrogen Fertilizers	**4,033,184**	**30.45%**	4,207,095	33.64%
Compound Fertilizers	**2,068,108**	**15.61%**	2,455,877	19.64%
Phosphate Fertilizers	**3,388,945**	**25.59%**	3,259,308	26.06%
Others	**567,559**	**4.28%**	426,477	3.41%
Total	**13,246,195**	**100.00%**	12,505,419	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 profit (loss) by operating segment for the six months ended 30 June 2010 and the same period last year:

Table 2:

For the six months ended 30 June 2010

	Sourcing & Distribution RMB'000	**Production RMB'000**	**Total RMB'000**
Turnover			
External sales	**11,598,491**	**1,647,704**	**13,246,195**
Segment profit	**147,338**	**37,880**	**185,218**

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) profit	(1,124,433)	60,489	(1,063,944)

Segment profit (loss) represents the profit (loss) earned by each segment without corporate expenses/income or finance costs. The Group uses these quantitative reports for the purposes of resource allocation and assessment of segment performance.

China's domestic fertilizer market showed signs of stability, and the Group's results for the six months ended 30 June 2010 improved remarkably compared with that of the same period of 2009. For the six months ended 30 June 2010, the Sourcing and Distribution Segment realized a profit of RMB147 million, increasing by RMB1,271 million over RMB1,124 million of losses for the corresponding period of 2009; the Production Segment realized a profit which was RMB23 million less than the same period of 2009. This was mainly attributable to a sluggish nitrogen market and declining nitrogen prices in the first half of 2010, which caused losses for nitrogen production enterprises in the Production Segment. As a result, the profit of the Production Segment fell in the first half of 2010 compared with the same period of the previous year.

Management Discussion and Analysis

II. Profit

1. Gross profit

For the six months ended 30 June 2010, gross profit of the Group was RMB648 million, representing a decrease of RMB31 million, or 4.48% from the corresponding period of 2009.

In the first half of 2010, stabilized potash prices in China boosted the profit margin significantly of the Group's potash business as compared with the same period of last year, though it was still much lower than the record high level. The gross margin of the nitrogen business fell from the same period of the previous year due to falling nitrogen prices and a sluggish nitrogen industry in general. The Group's phosphate business was able to achieve a gradually improved profit margin thanks to sufficient supplies of both imported and domestic phosphate fertilizers which were competitive in purchase cost.

In summary, the Group's potash business regained its profitability, laying a good foundation for further improvement in the second half of this year. The profit margins of phosphate and compound fertilizers both approached record high levels. The nitrogen sales volume expanded significantly despite of falling margin. The overall competitiveness of the Group's integrated business model remained unscratched.

2. Share of results of jointly controlled entities and associates

Share of results of jointly controlled entities: For the six months ended 30 June 2010, share of results of jointly controlled entities of the Group turned a loss into a breakeven position, including a loss of RMB22 million from investment in Tianji Sinochem Gaoping Chemical Limited ("Tianji JV"), a total profit of RMB22 million from Yunnan Three Circle-Sinochem Fertilizer Company Limited, Guiyang Sinochem Kailin Fertilizer Company Limited, and Yunnan Three Circle-Sinochem-Cargill Fertilizer Co. Ltd. The result was down from a loss of RMB38 million for the same period of 2009. This was mainly attributable to that phosphate production subsidiaries achieved better results compared with last year as phosphate prices maintained stable, supported by massive export orders. However, oversupply and a sluggish nitrogen market dragged down nitrogen selling prices and led to losses of the nitrogen production subsidiaries.

Share of results of associates: For the six months ended 30 June 2010, share of results of associates of the Group amounted to RMB134 million, which was the same as that of the same period of 2009.

3. *Income tax credit*

For the six months ended 30 June 2010, income tax credit of the Group was RMB49 million, which was mainly attributable to the recognition of deferred tax asset as a result of some of the Group's production subsidiaries suffering losses during the reporting period.

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.

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

For the six months ended 30 June 2010, profit attributable to shareholders was RMB340 million, which was an increase of RMB1,168 million over the corresponding period of 2009. The main reason is that the Group actively adopted various operating measures in view of the sluggish market to reduce the negative impact of the market and maintain a stable profit. Meanwhile, the Group reduced administrative expenses and finance cost through tightening overheads control and optimizing the unified capital operations of both the domestic and overseas units. In addition, the Group applied strict control on inventory risk, and pushed for faster turnover rate. As a result, write-down of inventories was significantly reduced year on year, therefore increasing the Group's profit.

For the six months ended 30 June 2010, net profit margin of the Group was 2.57%, which fell to 1.74% when the effect of the change in fair value of the derivative component of convertible bonds was excluded. The figure was relatively low compared with previous years.

III. Expenditures

Selling and distribution expenses: For the six months ended 30 June 2010, selling and distribution expenses were RMB336 million, up by RMB19 million or 5.88% over that of RMB317 million for the corresponding period of 2009. Such an increase was mainly attributed to a proportional increase in transportation cost incurred by an expansion in sales volume during the current period.

Administrative expenses: For the six months ended 30 June 2010, administrative expenses were RMB212 million, decreased by RMB16 million or 7.12% from that of RMB228 million for the corresponding period of 2009. This was mainly attributable to the Group's strict control on budget and operating expenses.

Finance costs: For the six months ended 30 June 2010, finance costs were RMB162 million, down by RMB77 million, or 32.34% from that of RMB239 million for the corresponding period of 2009. The major reasons were i) the Group reduced capital demand by accelerating inventory turnover; and ii) the Group improved capital efficiency and reduced capital costs in different ways by leveraging on its integrated capital system both at home and abroad.

Management Discussion and Analysis

IV. Other Expenses

For the six months ended 30 June 2010, the Group's other expenses amounted to RMB62 million, decreased by RMB1,258 million or 95.33% from that of RMB1,320 million for the corresponding period of 2009. The main reason was that the Group made write-downs of RMB42 million for the reporting period due to stabilizing fertilizer prices in the domestic fertilizer market, however, the Company made write-downs of RMB1,293 million relating to inventories as at 30 June 2009 according to requirement of applicable accounting principles as a result of market downturn impacted by the financial crisis in 2009.

V. Inventory Turnover

The inventory balance of the Group as at 30 June 2010 was RMB6,102 million, increased by RMB273 million, or 4.69% over that of RMB5,829 million as at 31 December 2009. Inventory turnover days *(note)* decreased from 114 days for 2009 to 85 days for the first half of 2010 due to fertilizer sales recovery in the domestic market in the first half of 2010.

Note: Inventory turnover days for the six months ended 30 June 2010 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 2009 was calculated on the basis of average inventory balance as at the year ended 31 December 2009 divided by cost of goods sold in 2009, and multiplied by 360 days.

VI. Trade and Bills Receivables Turnover

The balance of the Group's trade and bills receivables as at 30 June 2010 was RMB1,832 million, decreased by RMB944 million, or 34.00% from that of RMB2,776 million as at 31 December 2009. This was mainly because the Group reduced payment collecting in bills receivables to lower finance cost, thus reducing the balance of bills receivables for the reporting period significantly from that as at 31 December 2009.

Trade and bills receivables turnover days *(note)* was 20 days for the first half of 2010, which was on a par with that of 19 days for the year 2009.

Note: Turnover days for the first half of 2010 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 2009 was calculated on the basis of average trade and bills receivables (excluding bills discounted to banks) balance as at the end of the year ended 31 December 2009 divided by turnover in 2009, and multiplied by 360 days.

VII. Interests in Jointly Controlled Entities

As at 30 June 2010, the balance of the Group's interests in jointly controlled entities was RMB547 million, decreased by RMB182 million, or 25.00% from that of RMB729 million as at 31 December 2009, which was mainly attributed to:

1. Sinochem Fertilizer Company Limited, (Sinochem Fertilizer), a subsidiary of the Group, disposed partial equities in Tianji JV with the consideration of RMB110 million. After the disposal, the remaining equities in Tianji JV were reclassified from interest in jointly controlled entities to available-for-sale investments as the Group no longer had joint control or significant influence on Tianji JV, thus interests in jointly controlled entities of the Group decreased by RMB193 million.

2. Except for Tianji JV, other jointly controlled entities achieved a profit for the first half of 2010, increasing interests in jointly controlled entities by RMB11 million based on equity accounting method.

VIII. Interests in Associates

The balance of the Group's interests in associates as at 30 June 2010 was RMB7,140 million, increasing by RMB76 million, or 1.08% over that of RMB7,064 million as at 31 December 2009, which was mainly attributed to:

The balance of interests in Qinghai Salt Lake Potash Company Limited ("Qinghai Salt Lake") as at 30 June 2010 was RMB6,985 million, up by RMB82 million from that as at 31 December 2009. It included an increase of RMB139 million of investment returns generated for the six months ended 30 June 2010 and a decrease of RMB57 million of dividends for the year 2009 received from Qinghai Salt Lake during the reporting period.

IX. Available-for-sale Investments

As at 30 June 2010, the balance of the Group's available-for-sale investments was RMB232 million, while the balance as at 31 December 2009 was RMB177 million. The increase of RMB55 million or 31.29% was mainly attributable to:

1. Sinochem Fertilizer Company Limited, a subsidiary of the Group, disposed partial equities in Tianji JV, and the remaining equities in Tianji JV were reclassified from interests in jointly controlled entities to available-for-sale investments as the Group no longer had joint control or significant influence on Tianji JV, thus, available-for-sale investments increased by RMB85 million.

2. A depreciation of RMB28 million as a result of fair value change in shares in the listed companies held by the Group as at 30 June 2010, including China XLX Fertiliser Ltd. and Qinghai Salt Lake Industry Group Co., Ltd as at 30 June 2010.

Management Discussion and Analysis

X. Long and Short-Term Loans

As at 30 June 2010, the balance of the Group's long-term loans was RMB3,866 million, up by RMB65 million or 1.71% over that of RMB3,801 million as at 31 December 2009. This was mainly caused by accrued interest related to RMB2,500 million corporate bonds issued by Sinochem Fertilizer, a subsidiary of the Group.

As at 30 June 2010, the balance of short-term loans was RMB2,982 million, down by RMB786 million, or 20.86% as compared with that of RMB3,768 million as at 31 December 2009. This was mainly because that the Group enhanced its effort in sales so as to generate higher operating cash inflow, and Sinochem Fertilizer, a subsidiary of the Group, issued RMB2,500 million corporate bonds in 2009 to repay part of the short-term bank loans of the Group.

XI. Trade and Bills Payables

As at 30 June 2010, the balance of the Group's trade and bills payables was RMB3,046 million, increased by RMB852 million, or 38.79% over that of RMB2,194 million as at 31 December 2009. The increase in the balance of trade payables as at 30 June 2010 was mainly caused by the resumption of potash import purchase on 90-day credit granted by suppliers during the reporting period; the balance of bills payables as at 30 June 2010 increased by RMB255 million over that as at 31 December 2009, which was mainly attributable to increased payments made in bills payable by the Group in order to reduce finance costs.

XII. 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 2010, the total face value of outstanding convertible loan notes was approximately RMB641 million, apart from the recognition of accrued interest and exchange rate movements, other factors remained unchanged from that as at 31 December 2009.

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 RMB110 million and RMB21 million, respectively, which were reflected in the condensed consolidated statement of comprehensive income for the reporting period.

XIII. Other Financial Indicators

Basic earnings per share for the six months ended 30 June 2010 was RMB0.0484, basic loss per share for the six months ended 30 June 2009 was RMB0.1181. Return on equity (ROE) for the six months ended 30 June 2010 was 2.74%, increased by 9.11 percentage points from that of -6.37% for the same period of 2009. This was mainly because that the Group was able to make a profit for the six months ended 30 June 2010.

Table 3:

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Profitability		
Earnings (Loss) per share *(RMB) (Note 1)*	**0.0484**	(0.1181)
ROE *(Note 2)*	**2.74%**	(6.37%)

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

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

As at 30 June 2010, the Group's current ratio was 1.35, and the debt-to-equity ratio was 56.03%, representing a stable financial structure.

Table 4:

	As at 30 June 2010	As at 31 December 2009
Solvency		
Current ratio *(Note 1)*	**1.35**	1.28
Debt-to-Equity ratio *(Note 2)*	**56.03%**	48.82%

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

Management Discussion and Analysis

XIV. Liquidity and Financial Resources

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

As at 30 June 2010, cash and cash equivalents of the Group amounted to RMB275 million, which was mainly denominated in RMB and US dollar.

Set out below is an analysis of long-term and short-term borrowings of the Group:

Table 5:

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Secured	**392,298**	2,172,643
Unsecured	**3,902,600**	2,919,422
Bonds	**2,552,910**	2,476,735
Total	**6,847,808**	7,568,800

Table 6:

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Within 1 year	**2,981,820**	3,767,871
Between 1 to 5 years	**1,213,078**	1,204,194
Over 5 years	**2,652,910**	2,596,735
Total	**6,847,808**	7,568,800

Table 7:

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Fixed interest rate	**3,714,712**	5,166,013
Floating interest rate	**3,133,096**	2,402,787
Total	**6,847,808**	7,568,800

As at 30 June 2010, certain property, plant and equipment and bills receivables with carrying amount of approximately RMB560 million and RMB322 million, respectively, were pledged to secure banking facilities granted to the Group.

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

As at 30 June 2010, the Group had banking facilities of RMB39,809 million, including US$2,025 million and RMB26,058 million. The amount of utilized banking facilities was US$316 million and RMB3,258 million and that of unutilized banking facilities was US$1,709 million and RMB22,800 million.

XV. Operation and Financial Risks

The Group's major operation risks include: higher market risks and uncertainties from excessive capacity and severe market competition; higher production cost due to the government's reforms of prices of natural resources including coal, electricity and natural gas, which can not be completely translated into selling prices in bearish market; as well as uncertainties from government-led actions including potash import negotiations.

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

Market risk

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

Several subsidiaries of the Group have foreign currency purchases, sales and borrowings, which expose the Group to currency risk. The Group considers its currency risk is insignificant and does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

Management Discussion and Analysis

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 2010. 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 management monitored and maintained sufficient cash and cash equivalent of the Group, raised funds to fulfill the operation requirements as necessary and maintained a stable cash flow of the Group. The management further monitored the application of bank borrowings.

XVI. Contingent Liabilities

As at 30 June 2010, the Group had no material contingent liabilities.

XVII. Capital Commitment

Table 8:

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Capital expenditure in respect of property, plant and equipment		
Contracted but not provided for	**173,826**	69,983
Authorized but not contracted for	**15,310**	149,981
Total	**189,136**	219,964

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

XVIII. Major Investments and Disposal

As at 30 June 2010, the Group had no material investment expenditure or disposal.

XIX. Remuneration Policy

The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus, mandatory provident funds, state-managed retirement benefits scheme and share options granted under the share option schemes of the Company. The objective of the Group is to associate the interests of key employees with the performance of the Group and the interests of shareholders, as well as achieving balance of short-term and long-term benefits through a reasonable system. Meanwhile, the Group also aims at maintaining the competitiveness of the overall compensation. The level of cash compensation to employees offered by the Group varies with importance of duties. The higher the importance of duties, the higher will be the ratio of incentive bonus of total remuneration. This can ensure that the Group can recruit, retain and motivate high-caliber employees required for the development of the Group and to avoid offering excess reward.

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

The Group reviews its remuneration policy annually and engages professional consultant, if necessary, to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 30 June 2010, the Group had about 11,014 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 2010, the Group provided 12,231 hours of training in aggregate for about 2,148 person-times. The training courses covered areas such as industry development, marketing management, operation and management, laws and regulations, lean management, project management, finance, logistics, information technology, safe production and general working skills. These training further improved the management skills and professional standard of the management of the Group and enhanced the overall quality of the employees to cater to the Group's rapid developments; hence, improving the competitiveness of the Group.

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 24 to 42, which comprises the condensed consolidated statement of financial position of Sinofert Holdings Limited (the "Company") and its subsidiaries as of 30 June 2010 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 inquiries, 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, 26 August 2010

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Revenue	*3*	**13,246,195**	12,505,419
Cost of sales		**(12,597,925)**	(11,826,750)
Gross profit		**648,270**	678,669
Other income and gains		**157,165**	160,718
Distribution and selling expenses		**(335,706)**	(317,075)
Administrative expenses		**(211,637)**	(227,862)
Other expenses		**(61,597)**	(1,319,990)
Changes in fair value of derivatives		**109,752**	24,098
Finance costs	*4*	**(161,703)**	(239,000)
Share of results of jointly controlled entities		**335**	(37,720)
Share of results of associates		**133,671**	130,709
Profit (loss) before taxation	*5*	**278,550**	(1,147,453)
Income tax credit	*6*	**48,501**	307,393
Profit (loss) for the period		**327,051**	(840,060)
Other comprehensive income			
Exchange differences arising on translation		**(51,341)**	(2,024)
Change in fair value of available-for-sale investments		**(28,371)**	190,827
Income tax relating to components of other comprehensive income		**1,687**	(47,231)
Other comprehensive (loss) income for the period, net of tax		**(78,025)**	141,572
Total comprehensive income (loss) for the period		**249,026**	(698,488)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
	Notes	**RMB'000**	RMB'000
		(unaudited)	(unaudited)
Profit (loss) for the period attributable to:			
– Owners of the Company		**339,958**	(827,931)
– Non-controlling interests		**(12,907)**	(12,129)
		327,051	(840,060)
Total comprehensive income (loss) attributable to:			
– Owners of the Company		**261,933**	(686,359)
– Non-controlling interests		**(12,907)**	(12,129)
		249,026	(698,488)
Earnings (loss) per share			
Basic (RMB)	*8*	**0.0484**	(0.1181)
Diluted (RMB)	*8*	**0.0349**	(0.1181)

Condensed Consolidated Statement of Financial Position

At 30 June 2010

	Notes	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Non-current Assets			
Investment properties	*9*	**14,600**	14,600
Property, plant and equipment	*9*	**5,019,744**	4,994,863
Other long-term assets		**42,022**	44,173
Prepaid lease payments		**474,468**	478,309
Interests in associates		**7,140,270**	7,063,857
Interests in jointly controlled entities		**546,728**	729,008
Available-for-sale investments		**232,305**	176,934
Advance payment for acquisition of property, plant and equipment		**18,833**	23,117
Goodwill		**576,370**	579,258
Deferred tax assets		**930,482**	895,316
		14,995,822	14,999,435
Current Assets			
Inventories		**6,102,190**	5,828,901
Prepaid lease payments		**30,482**	30,276
Trade and bills receivables	*10*	**1,832,093**	2,775,778
Advance payments		**1,056,365**	1,116,548
Other receivables		**371,407**	326,722
Structured deposits	*11*	**50,000**	–
Pledged bank deposits		**19,271**	22,907
Bank balances and cash		**274,742**	190,584
		9,736,550	10,291,716
Current Liabilities			
Trade and bills payables	*12*	**3,045,660**	2,194,487
Receipts in advance		**508,994**	1,383,572
Other payables		**423,621**	554,231
Tax liabilities		**233,240**	139,803
Borrowings – due within one year	*13*	**2,981,820**	3,767,871
		7,193,335	8,039,964
Net Current Assets		**2,543,215**	2,251,752
Total Assets less Current Liabilities		**17,539,037**	17,251,187

Condensed Consolidated Statement of Financial Position

At 30 June 2010

	Notes	**As at 30 June 2010 RMB'000 (unaudited)**	As at 31 December 2009 RMB'000 (audited)
Capital and Reserves			
Issued equity	*14*	**8,257,874**	8,248,928
Reserves		**4,163,127**	3,903,010
Equity attributable to owners of the Company		**12,421,001**	12,151,938
Non-controlling interests		**370,193**	383,100
Total Equity		**12,791,194**	12,535,038
Non-current Liabilities			
Borrowings – due after one year	*13*	**3,865,988**	3,800,929
Derivative financial instruments		**38,051**	149,175
Convertible loan notes		**641,476**	626,240
Deferred income		**155,058**	71,255
Deferred tax liabilities		**47,270**	68,550
		4,747,843	4,716,149
Total Equity and Non-current Liabilities		**17,539,037**	17,251,187

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Attributable to owners of the Company											
	Issued equity RMB'000	Merger reserve RMB'000 *(Note a)*	Capital reserve RMB'000	Statutory reserve RMB'000 *(Note b)*	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	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2009 (audited)	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 (loss) for the period	–	–	–	–	143,596	–	–	(2,024)	(827,931)	(686,359)	(12,129)	(698,488)
Dividends paid	–	–	–	–	–	–	–	–	(286,896)	(286,896)	–	(286,896)
Dividends paid to non-controlling 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
At 1 January 2010 (audited)	8,248,928	255,531	485,551	384,071	(14,085)	11,625	–	(392,070)	3,172,387	12,151,938	383,100	12,535,038
Profit (loss) for the period	–	–	–	–	–	–	–	–	339,958	339,958	(12,907)	327,051
Exchange differences arising on translation	–	–	–	–	–	–	–	(51,341)	–	(51,341)	–	(51,341)
Changes in fair value of available-for-sale investments	–	–	–	–	(28,371)	–	–	–	–	(28,371)	–	(28,371)
Income tax relating to components of other comprehensive income	–	–	–	–	1,687	–	–	–	–	1,687	–	1,687
Total comprehensive income (loss) for the period	–	–	–	–	(26,684)	–	–	(51,341)	339,958	261,933	(12,907)	249,026
Recognition of equity-settled share-based payments	–	–	–	–	–	247	–	–	–	247	–	247
Forfeiture of share options	–	–	–	–	–	(98)	–	–	98	–	–	–
Exercise of share options	8,946	–	–	–	–	(2,063)	–	–	–	6,883	–	6,883
At 30 June 2010 (unaudited)	8,257,874	255,531	485,551	384,071	(40,769)	9,711	–	(443,411)	3,512,443	12,421,001	370,193	12,791,194

Notes:

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. 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 investors in the form of bonus issue.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	**1,017,710**	23,197
Net cash used in investing activities		
Purchases of property, plant and equipment	**(116,533)**	(218,751)
Addition of prepaid lease payment	**(10,256)**	–
Acquisition of a jointly controlled entity	**–**	(4,000)
Disposal of a jointly controlled entity	**110,000**	–
Acquisition of other long-term assets	**(5,258)**	(6,388)
Acquisition of an associate	**–**	(12,737)
Addition of structured deposits	**(50,000)**	–
Other investing cash flows (net)	**14,978**	43,336
	(57,069)	(198,540)
Net cash (used in) generated from financing activities		
Proceeds from borrowings raised	**5,290,674**	8,261,616
Repayments of borrowings	**(6,011,666)**	(7,536,557)
Dividends paid	**–**	(286,896)
Dividends paid to non-controlling interests	**–**	(668)
Interest paid	**(162,360)**	(245,798)
Proceeds from exercise of options	**6,883**	12,160
Other financing cash flows (net)	**–**	61
	(876,469)	203,918
Net increase in cash and cash equivalents	**84,172**	28,575
Cash and cash equivalents at 1 January	**190,584**	160,302
Effect of foreign exchange rate changes	**(14)**	963
Cash and cash equivalents at 30 June, represented by		
Bank balances and cash	**274,742**	189,840

1. Basis of Preparation

The condensed consolidated financial statements 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 and with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting.

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis 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 2009.

In the current interim period, the Group has applied, for the first time, a number of revised standards, amendments and interpretation ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial year beginning on 1 January 2010.

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no impact on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no impact on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

2. Principal Accounting Policies (Continued)

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

2 Effective for annual periods beginning on or after 1 February 2010

3 Effective for annual periods beginning on or after 1 July 2010

4 Effective for annual periods beginning on or after 1 January 2011

5 Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognized financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortized cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company are currently assessing the impacts of application of other new and revised standards, amendments or interpretation will have on the results and the financial position of the Group.

3. Segment Information

The Group's operating segments based on information reported to the chief operating decision maker for the purpose of resource allocation and performance assessment 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 profit (loss) by operating segments:

	Six months ended 30 June 2010		
	Sourcing and distribution RMB'000	**Production RMB'000**	**Total RMB'000**
Revenue			
External revenue	**11,598,491**	**1,647,704**	**13,246,195**
Inter-segment revenue	**183,929**	**1,485,242**	**1,669,171**
Segment revenue	**11,782,420**	**3,132,946**	**14,915,366**
Elimination	**(183,929)**	**(1,485,242)**	**(1,669,171)**
The Group's revenue	**11,598,491**	**1,647,704**	**13,246,195**
Segment profit	**147,338**	**37,880**	**185,218**
Unallocated expenses			**(11,882)**
Unallocated income and gains			**157,165**
Finance costs			**(161,703)**
Changes in fair value of derivatives			**109,752**
Profit before taxation			**278,550**

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

3. Segment Information (Continued)

	Six months ended 30 June 2009		
	Sourcing and distribution RMB'000	Production 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
Segment revenue	11,078,619	3,188,550	14,267,169
Elimination	(154,519)	(1,607,231)	(1,761,750)
The Group's revenue	10,924,100	1,581,319	12,505,419
Segment (loss) profit	(1,124,433)	60,489	(1,063,944)
Unallocated expenses			(14,625)
Unallocated income and gains			146,018
Finance costs			(239,000)
Changes in fair value of derivatives			24,098
Loss before taxation			(1,147,453)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by or loss from each segment without unallocated corporate expenses, changes in fair value of derivatives, other income and gains and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

4. Finance Costs

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Interest on borrowings		
– wholly repayable within five years	**84,954**	241,798
– not wholly repayable within five years	**77,406**	4,307
Interest on convertible loan notes	**21,115**	19,860
Less: amount capitalized	**(21,772)**	(26,965)
	161,703	239,000

Note: Borrowing costs capitalized during the period arose on the general borrowing pool and are calculated by applying a capitalization rate of 4.65% (2009:6.53%) per annum to expenditure on qualifying assets.

5. Profit (Loss) Before Taxation

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Profit (loss) before taxation has been arrived at after charging and (crediting):		
Release of prepaid lease payments	**13,891**	13,877
Amortization of other long-term assets	**7,408**	4,744
Write-down of inventories *(note 1)*	**41,839**	1,292,924
Depreciation of property, plant and equipment	**117,132**	120,695
Deferred income released	**(12,347)**	(2,034)
Provision for impairment of receivables	**273**	9,817
Loss on disposal of property, plant and equipment	**187**	4,382
Gain on disposal of a jointly controlled entity *(note 2)*	**(23,665)**	–
Exchange (gain) loss	**(30,653)**	34

Note:

1. During the period ended 30 June 2010, write-down of inventories amounting to approximately RMB41,839,000 (2009: RMB1,292,924,000) is recorded and recognized in other expenses. Such write-down is related to inventories on hand as at the end of reporting period.

2. During the current interim period, the Group partially disposed of its investment in a jointly controlled entity to its venturer at a consideration of RMB110,000,000 and a gain of RMB23,665,000 is recognized in profit or loss. The remaining interest in this entity was accounted for as available-for-sale investments, which is initially recognized at its fair value of RMB85,000,000.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

6. Income Tax Credit

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
The credit (charge) comprises:		
Current tax:		
Hong Kong Profits Tax	**(2,934)**	(1,600)
PRC Enterprise Income Tax	**(3,324)**	(29,735)
	(6,258)	(31,335)
Deferred tax:		
Current period *(note)*	**54,759**	338,728
	48,501	307,393

Note: The income tax credit in the period ended 30 June 2009 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.

PRC Enterprise Income Tax is calculated at 25% on the estimated profit for the periods under review.

According to the policy for the development of the western region of the PRC promulgated by the State Council, Sinochem Chongqing Fuling Chemical Fertilizer Company Limited ("Sinochem Fuling") is entitled to a preferential income tax treatment of 15% 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 continue to meet such criteria for the preferential tax treatment for 2010.

A subsidiary of the Company incorporated in Macao Special Administrative Region is exempted from income tax.

7. Dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: nil).

No dividends were paid during the six months ended 30 June 2010. During the six months 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.

8. Earnings (Loss) Per Share

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Earnings (loss) for the purpose of basic earnings (loss) per share	**339,958**	(827,931)
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes (net of tax)	**21,115**	–
Changes in fair value of derivative components of convertible loan notes	**(109,752)**	–
Earnings (loss) for the purpose of diluted earnings (loss) per share	**251,321**	(827,931)
	'000 shares	*'000 shares*
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**7,018,343**	7,011,655
Effect of dilutive potential ordinary shares from:		
Share options	**5,292**	–
Convertible loan notes	**170,742**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**7,194,377**	7,011,655

The computation of diluted loss per share for the period ended 30 June 2009 does not assume the exercise of the outstanding share options and the conversion of the outstanding convertible loan notes as the effects of such exercise and conversion would result in a decrease in loss per share.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

9. Property, Plant and Equipment and Investment Properties

During the current interim period, the Group spent approximately RMB116,533,000 (2009: approximately RMB218,751,000) mainly on the construction of new production plants.

At 30 June 2010, the directors considered and estimated that the carrying amount of the Group's investment properties do not differ significantly from that which would be determined using fair values at the reporting date. Consequently, no fair value gain or loss has been recognized in the current period.

10. Trade and Bills Receivables

The Group allows a credit period of approximate 90 days to its trade customers. As at 30 June 2010, the aging analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date is as follows:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Within three months	**1,165,897**	1,904,022
More than three months, but not exceeding six months	**588,961**	837,237
More than six months, but not exceeding one year	**75,569**	34,098
Exceeding one year	**1,666**	421
	1,832,093	2,775,778

11. Structured Deposits

The structured deposits consisted of principal-protected financial products issued by a financial institution in the PRC, which carried at fixed interest rate of 1.5% per annum. It is accounted for as loans and receivables at amortized cost. The Group has the right to redeem the structured deposits at any time before the maturity date on 2 April 2012. The directors of the Company consider the structured deposits as current asset since the Group plans to withdraw the balances within one year after the end of the reporting period. Subsequent to 30 June 2010, the principal and the interest have been redeemed.

12. Trade and Bills Payables

As at 30 June 2010, the aging analysis of trade and bills payables presented based on the invoice date is as follows:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Within three months	**1,665,582**	1,210,304
More than three months, but not exceeding six months	**1,110,026**	711,786
More than six months, but not exceeding one year	**59,678**	61,018
Exceeding one year	**210,374**	211,379
	3,045,660	2,194,487

13. Borrowings

As at 30 June 2010, the Group's available unutilized banking facilities were approximately RMB34,404,095,000 (2009: approximately RMB33,344,969,000).

14. Issued Equity

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
At the beginning of the period	**8,248,928**	8,233,245
Issue of new shares of par value of HK$0.10 each:		
Exercise of options *(note)*	**8,946**	15,462
At the end of the period	**8,257,874**	8,248,707

Note: During the current interim period, share option holders exercised options with grant-date fair value of approximately HK$2,351,000 (approximate to RMB2,063,000) (2009: HK$3,700,000 (approximate to RMB3,302,000)) and the new shares issued were included in the Company's issued equity.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

15. Commitments

(a) *Capital commitments*

	30 June 2010 RMB'000	31 December 2009 RMB'000
Capital expenditure in respect of property, plant and equipment:		
Contracted but not provided for	**173,826**	69,983
Authorized but not contracted for	**15,310**	149,981
	189,136	219,964

(b) *Operating lease arrangements*

The Group as lessor

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

	30 June 2010 RMB'000	31 December 2009 RMB'000
Within one year	**150**	291
	150	291

The Group as lessee

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

	30 June 2010 RMB'000	31 December 2009 RMB'000
Within one year	**81,269**	67,288
More than one year, but not exceeding five years	**62,695**	47,245
More than five years	**14,946**	6,198
	158,910	120,731

16. Related Party Transactions

(a) *Transactions with related parties*

During the current interim period, the Group has entered into the following significant transactions with related parties except for those disclosed in other notes:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Sales of fertilizers to ultimate holding company	**154**	229,233
Sales of fertilizers to jointly controlled entities	**43,826**	11,159
Purchases of fertilizers from ultimate holding company	**162,437**	471,619
Purchases of fertilizers from a subsidiary and an associate of a shareholder (with significant influence over the Company)	**1,277,808**	546,059
Purchases of fertilizers from jointly controlled entities	**1,026,178**	1,255,639
Purchases of fertilizers from an associate	**28,996**	1,659,782
Import service fee paid to ultimate holding company	**84**	40
Import service fee paid to a fellow subsidiary	**2,058**	9,206
Import service fee paid to jointly controlled entities	**–**	167
Rental expenses paid to fellow subsidiaries	**10,715**	10,825
Agency fee paid to a fellow subsidiary	**1,020**	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

16. Related Party Transactions (Continued)

(b) Balances with related parties

At the end of the reporting period, the Group had the following significant balances with its related parties:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Advance payments to suppliers		
Yunnan Three Circles-Sinochem-Cargill Fertilizer Co., Ltd. *(note 2)*	**3,600**	–
Gansu Wengfu Chemical Co., Ltd. *(note 2)*	**19,906**	27,000
Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. *(note 2)*	**16,000**	–
Qinghai Salt Lake Potash Co., Ltd. ("Qinghai Salt Lake", *note 5*)	**10,353**	39,349
Trade payables		
Sinochem Group *(note 3)*	**73,467**	45,833
Qinghai Salt Lake *(note 5)*	**159,926**	235,800
Guizhou Xinxin Industrial Agricultural Trading Co., Ltd. *(note 5)*	**1,607**	–
Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. *(note 2)*	**–**	17,077
Gansu Wengfu Chemical Co., Ltd. *(note 2)*	**4,906**	–
PCS Sales (USA) Inc. *(note 4)*	**182,722**	–
Other receivables		
Beijing Chemsunny Property Co., Ltd. *(note 1)*	**4,297**	4,236
Guiyang Sinochem Kailin Fertilizer Company Limited *(note 2)*	**11,655**	6,903
Qinghai Salt Lake *(note 5)*	**57,189**	–

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: A subsidiary of a shareholder with significant influence over the Company

Note 5: An associate of the Group

16. 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	
	2010	2009
	RMB'000	RMB'000
Sales of fertilizers	**418,309**	574,564
Purchases of fertilizers	**2,583,665**	3,340,024

(d) Compensation of key management personnel

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Salaries and other benefits	**2,419**	2,268
Retirement benefit scheme contributions	**53**	71
Performance related incentive	**–**	6,301
Share-based payments	**67**	403
Fees	**820**	654
	3,359	9,697

17. Major Non-Cash Transactions

During the period ended 30 June 2009, Qinghai Salt Lake 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.

Additional Information

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 2010.

Directors' Interests in Shares and Underlying Shares

As at 30 June 2010, 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 2010, 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
Harry Yang	Beneficial owner	600

(b) Share options of the Company

As at 30 June 2010, 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	421,900	421,900
Du Ke Ping *(resigned on 15 July 2010)*	Beneficial owner	4,209,900	4,209,900
Chen Guo Gang *(resigned on 26 August 2010)*	Beneficial owner	256,600	256,600
Harry Yang	Beneficial owner	420,600	420,600
Wade Fetzer III	Beneficial owner	256,000	256,000

Save as disclosed above, as at 30 June 2010, 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 2010, 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 of the issued share capital of the Company
Sinochem Group *(Note 1)*	3,698,660,874	52.69%
Sinochem Corporation *(Note 1)*	3,698,660,874	52.69%
Sinochem Hong Kong (Group) Company Limited (“Sinochem HK”) *(Note 2)*	3,698,660,874	52.69%
Potash Corporation of Saskatchewan Inc. (“PotashCorp”) *(Note 3)*	1,547,500,141	22.05%

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 2010.

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 2009 as set out in the Company's 2009 annual report.

Additional Information

The following tables showed the movements in the Company's share options granted to the directors, the employees and other eligible participant under both the Old Share Option Scheme and the New Share Option Scheme during the six months ended 30 June 2010.

Old Share Option Scheme

				Number of share options		
Grantees	**Date of grant**	**Exercisable period**	**Exercise price**	**Outstanding at 1 January 2010**	**Exercised during the period**	**Outstanding at 30 June 2010**
		(Note 1)	HK$		*(Note 2)*	
Directors						
Liu De Shu	23 January 2006	23 January 2008 – 22 January 2012	1.672	609,900	(608,000)	1,900
Du Ke Ping *(Note 4)*	23 January 2006	23 January 2008 – 22 January 2012	1.672	3,789,900	–	3,789,900
Chen Guo Gang *(Note 5)*	23 January 2006	23 January 2008 – 22 January 2012	1.672	474,600	(474,000)	600
Harry Yang	23 January 2006	23 January 2008 – 22 January 2012	1.672	474,600	(474,000)	600
Employees						
Employees	23 January 2006	23 January 2008 – 22 January 2012	1.672	6,274,600	(1,383,000)	4,891,600
Other eligible participant						
Former director	23 January 2006	23 January 2008 – 22 January 2012	1.672	474,600	(474,600)	–
				12,098,200	(3,413,600)	8,684,600

Note 1: Two-thirds of the total number of share options granted to each director, employee and eligible participant on 23 January 2006 are exercisable on or after 23 January 2008 and the remaining balance of share options granted are exercisable on or after 23 January 2009. All unexercised share options will expire on 23 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$4.73.

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

Note 4: Mr. Du Ke Ping resigned as executive director and chief executive officer of the Company effective on 15 July 2010.

Note 5: Dr. Chen Guo Gang resigned as non-executive director of the Company effective on 26 August 2010.

New Share Option Scheme

Grantees	Date of grant	Exercisable period	Exercise price	Number of share options: Outstanding at 1 January 2010	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2010
		(Note 6)	*HK$*		*(Note 7)*		
Directors							
Liu De Shu	28 August 2007	28 August 2009 – 27 August 2013	4.990	420,000	–	–	420,000
Du Ke Ping *(Note 9)*	28 August 2007	28 August 2009 – 27 August 2013	4.990	420,000	–	–	420,000
Chen Guo Gang *(Note 10)*	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	6,171,268	(428,490)	(932,804)	4,809,974
Other eligible participant							
Former director	28 August 2007	28 August 2009 – 27 August 2013	4.990	256,000	–	–	256,000
				8,199,268	(428,490)	(932,804)	6,837,974

Note 6: The exercisable period of the share options granted to each director, employee and eligible participant can be analyzed as:

(i) 33.3% of the share options granted are 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) 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, provided that the total accumulated basic earnings per share of the Company for the three consecutive fiscal years ended 31 December 2009 was more than HK$0.674. Since the total accumulated basic earnings per share of the Company for the three consecutive fiscal years ended 31 December 2009 was less than HK$0.674, 50% of the share options granted will be forfeited on 28 August 2010.

All unexercised share options will expire on 28 August 2013.

Additional Information

Note 7: 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$5.34.

Note 8: No share options under the New Share Option Scheme were granted or cancelled during the period.

Note 9: Mr. Du Ke Ping resigned as executive director and chief executive officer of the Company effective on 15 July 2010.

Note 10: Dr. Chen Guo Gang resigned as non-executive director of the Company effective on 26 August 2010.

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 2010.

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 2010.

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 2010 and up to the date of this report, the Company has complied with the code provisions 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 9 June 2010 ("2010 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 2010 AGM, the Chairman of the Board authorized and the directors attending the meeting elected Mr. Du Ke Ping, the then executive director and Chief Executive Officer of the Company, to chair the meeting on behalf of the Chairman of the Board. Respective chairmen of the audit, remuneration and nomination committees of the Company were present at the 2010 AGM and were available to answer relevant questions, 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 2009 annual report for more information about the corporate governance practices of the Company.

Disclosure of Information of Directors

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

Mr. Tse Hau Yin, Aloysius, independent non-executive director of the Company, ceased to be an independent non-executive director of China Construction Bank Corporation, whose shares are listed on the Main Board of the Stock Exchange, on 24 June 2010.

Dr. Stephen Francis Dowdle, non-executive director of the Company, was appointed President of PCS Sales (USA) Inc., a wholly-owned subsidiary of PotashCorp, effective 1 July 2010. PotashCorp is a substantial shareholder of the Company.

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 2010.

Board of Directors

As at the date of this report, the executive directors of the Company are Mr. Feng Zhi Bin *(Chief Executive Officer)* and Mr. Harry Yang; the non-executive directors of the Company are Mr. Liu De Shu *(Chairman)*, Mr. Yang Lin, Dr. Stephen Francis Dowdle and 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, 26 August 2010