中化化肥控股有限公司

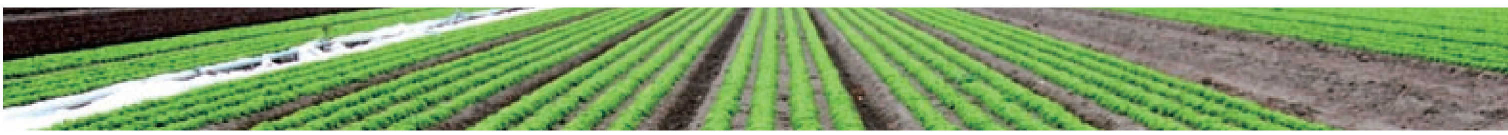
SINOFERT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 297

NURTURING CHINA'S AGRICULTURE SECTOR

INTERIM REPORT 2011



NURTURING CHINA'S
AGRICULTURE SECTOR

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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
Dr. Stephen Francis DOWDLE
Ms. XIANG Dandan *(appointed on 16 June 2011)*

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

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

Chief Financial Officer
Mr. GAO Jian *(appointed on 28 July 2011)*

Qualified Accountant
Ms. CHEUNG Kar Mun, Cindy

Company Secretary
Ms. CHEUNG Kar Mun, Cindy
(appointed on 22 June 2011)

Auditors
Deloitte Touche Tohmatsu

Legal Adviser
Latham & Watkins

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

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Wanchai, Hong Kong

Share Registrars and Transfer Offices
Bermuda (Principal office)
HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM11
Bermuda

Hong Kong (Branch)
Tricor Secretaries Limited
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Company Website
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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 2011.

During the first half of 2011, the overall fertilizer market went well and prices of all fertilizers steadily increased, which brought certain favourable factors for the operation of the Group. However, China's fertilizer industry was faced with challenges such as medium and long-term overcapacity, constantly increasing cost of raw materials, unsmooth price transmission mechanism, rising pressure of energy saving and emission reduction from the government and restrictions from China's export tariff policies. In such a complex market situation, under the premise of strict risk control, the Group made full use of resources and markets both at home and abroad, actively brought into full play the advantage of its integrated industrial chain and achieved steady increase of operating results. Total sales volume in the first half of 2011 increased to 8.39 million tons, up by 12.82% compared to the same period in 2010, further consolidating the Group's leading status as the largest fertilizer distributor in China. Turnover of the Group was RMB18,472 million, up by 39.45% year on year; and profit attributable to shareholders of the Company was RMB496 million with an increase of 46.01% compared to the same period in 2010. The profitability of the Group was highly improved.

During the first half of 2011, the Group focused on global industrial chain, actively promoted strategies of the Group, continued to improve its management and constantly built a sustainable profitability model and core competitiveness. In terms of product operation and distribution network, the Group improved the ability of value creation, implemented a differentiated operation strategy, optimized quality and layout of the outlets and further consolidated its leading market status. In terms of production, the Group effectively improved production and sales volume and lowered production cost through management improvement, technological upgrading and energy saving and emission reduction; implemented the strategy of low-cost production; and consolidated the compound fertilizer subsidiaries. In terms of resource acquisition, the Group systematically analyzed relevant natural resources both at home and abroad and sped up the implementation of the resource strategy. In terms of scientific and technological innovation, the Group insisted on embarking on a road of intensive development through introduction, development and promotion of new products.

Looking forward to the future, there are still lots of uncertainties in the recovery process of the global economy and the recent debt crisis and credit rating downgrade in the United States have also led to severe fluctuations of global stock markets and bulk commodity prices. While maintaining a high growth rate, the Chinese economy is faced with structural adjustment and domestic inflation remains high. According to the newly adopted "12th Five-Year Plan" in China for the fertilizer industry, the integration of upstream mining companies and resource tax reform will lead to increasing prices of resources in the long term; and industrial restructuring and energy saving and emission reduction will be the future trend. Against this complex and mixed macroeconomic environment, the Group adhered to a prudent financial policy and actively pushed forward comprehensive risk management, meeting the Group's capital demand and ensuring the security of the Group's assets and business operation.

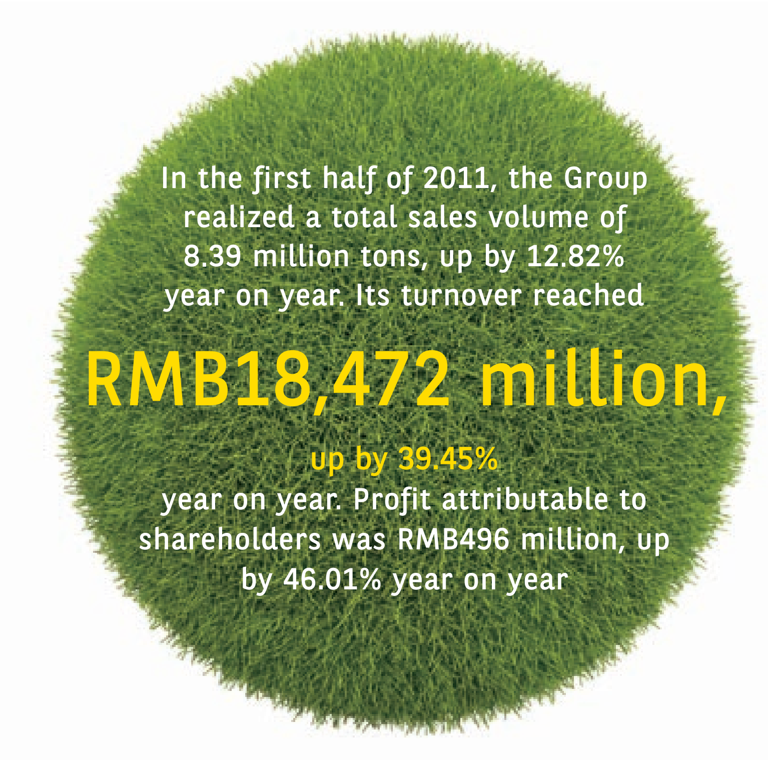
Chairman's Statement

The Group will adhere to the vision of "becoming a global leading provider for agricultural inputs and agrichemical services", enhance the competitiveness of the whole industrial chain, steadily push forward resource acquisition, promote intensive development through scientific and technological innovation and progress, improve the profitability of the distribution network, consolidate the leading market status, and be committed to create value for the shareholders and wealth for society.

Last but not the least, on behalf of the Board, I would like to take this opportunity to extend our heartfelt appreciations to all the shareholders, customers, the management and employees of the Group. We hope to have your continuous support, and Sinofert's management and employees will bear in mind our mission, keep our passion, be devoted to innovations and entrepreneurship and make great contribution to the continuous development of the Company.

Liu De Shu
Chairman of the Board

Hong Kong, 25 August 2011



In the first half of 2011, the output of fertilizers increased at a steady and relatively fast speed and demand for fertilizers was gradually improved against the rather complex domestic and international economic environment. Under the impact of both supply and demand, fertilizer price went up steadily in general in the first half of the year. Against such market environment in the first half of 2011, under the leadership of the Board of Directors, the Group followed the operation strategy of "quick-buy-and-quick-sell, fast turnover of products, strict control of inventory, no speculation", continuously strengthened the synergic effects of its integrated business model, explored new network development model, increased direct sales of products and enhanced operation quality and profitability while continuing to expand network construction.

Financial Highlights

For the six months ended 30 June 2011, the Group's turnover reached RMB18,472 million, increasing by 39.45% year on year; and profit attributable to shareholders of the Company reached RMB496 million, up by 46.01% year on year.

Product Operations

With constant recovery of market demand, the Group enhanced market analysis and forward-looking anticipation to monitor closely the changes in supply and demand and strengthened marketing services and customer development. For the six months ended 30 June 2011, the Group's sales volume was 8.39 million tons, increasing by 12.82% 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 was 3.91 million tons, up by 19.64% year on year; the sales volume of potash was 1.69 million tons, up by 43.51% year on year; the sales volume of phosphate was 1.43 million tons, down by 21.37% year on year; the sales volume of compound fertilizer was 1.11 million tons, up by 17.25% year on year; and the sales volume of sulphur was 0.22 million tons, up by 14.70% year on year.

Production

For the six months ended 30 June 2011, total fertilizer production capacity of subsidiaries and joint ventures of the Group remained to be 10.34 million tons.

In the first half of 2011, the Group focused on the implementation of the low-cost strategy for sustainable growth in production subsidiaries by carrying out lean management and technological innovations. Projects such as desulphurization and recovery of waste gas in Sinochem Jilin Changshan Chemical Co., Ltd. went quite well; the pilot plant project of ammonium polyphosphate (APP) was put into initial operations and 800,000 tons of phosphate concentrate floatation in

Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd. was sped up; periodical achievement has been made in the capacity upgrading and transformation of ammoniation (gunite) equipment in Sinochem Shandong Chemical Fertilizer Co., Ltd.; 5 technological renovation projects including coal gas-fired heating were actively promoted in Jilin Changshan Chemical Fertilizer Group San Jiang Fertilizer Co., Ltd..

Network Distribution

In 2011, the Group was dedicated to improve the operation capacity and quality of the distribution network, standardize distribution network governance, promote differentiated operation innovation, improve the quality of the network operation team, optimize the existing network layout and explore new channel models.

During the first half of 2011, 81 distribution centres were adjusted and optimized, 4 distribution centers were newly built and the total number of distribution centers reached 2,110 nationwide. The operation efficiency of the distribution network was constantly enhanced through intensive development. The distribution network continued to follow the guideline of "expanding customer base at township level and continuously substantiating the basis of operations", vigorously promoted new products, implemented differentiated operation strategies and actively pushed forward the intensive growth of the network.

In the first half of the year, the number of customers was 22,000, in which the number of customers at the village and township level was 14,000; the sales volume through distribution network was 5.9 million tons, up by 4.48% year on year. The distribution network has been playing an increasingly important role in increasing the Group's market share and profitability.

The Group followed the development trend of domestic agricultural production, worked to explore new channel models and corresponding marketing service models, continued to promote the building of "Fert-Mart" superstores, carried out pilot projects and gradually promoted franchise stores targeting end-users and direct-sale models focusing on big crop-growers. As a result, the coverage of the distribution network was constantly enlarged, influence was steadily enhanced, and operation capacity was effectively strengthened.

Internal Control and Management

The Group has always given top priority to the protection of shareholders' assets in internal control and management. The Group adhered to a sound financial policy, maintained a balanced financing structure and expanded capital resources in meeting the capital requirements for the Group's operation and 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, grass-roots agrichemical service events were constantly held, including a total of 1,900 activities to promote Sinochem agricultural potash fertilizer in the southern part of China. Meanwhile, The Group continued to cooperate with National Engineering Research Center for Wheat and China National

Hybrid Rice Research & Development Centre led by academician Professor Yuan Longping, providing specialty fertilizer for wheat and super high yield rice, with a strong and powerful support for grain yield growth. The Group also printed and distributed 12,000 booklets of "Fertilizer application guide" and about 1,000,000 pieces of "Agro-technology promotion discount card" among Sinofert's exemplary villages. In addition, the Group continued to sponsor the Sinochem Agri-Plaza program on China National Radio and the Sinofert Agricultural Express program on CCTV-7, which benefited the farmers with information and knowledge on better fertilizer application practice.

Outlook

In the second 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 9.6% for the first half of 2011 and 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's macro-control. The growth rate of GDP might be slowed to 9.5% in the third quarter of 2011 and further reduced to 8.6% in the fourth quarter. The overall economic growth rate in 2011 is expected to be 9.5%.

In the year 2011, the Central Government continued to strengthen policies aiming to support and benefit "Agriculture, Rural Areas and the Farmers", increased input in agriculture, improved the infrastructures and promoted steady development of agriculture and constant income increase of the farmers. The agricultural sector was basically stable, with summer grain output realizing growth for eight consecutive years in 2011. The Government also pushed forward with all efforts the "50-Billion-Kilogram Grain Production Capacity Expansion Program". These positive factors provided solid foundation for domestic fertilizer industry to achieve continuous development. With gradual improvement of domestic and overseas economic environment, China's fertilizer market will continue with its 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 "12th Five-year Plan" period is to promote mergers and acquisitions among the industry and 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 existing development strategy, make efforts to acquire upstream 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 Group's comprehensive advantage to improve the ability of sustainable development, accomplish the operation goals for 2011 and generate higher returns for the shareholders.

Chronicle of Events

January 2011

- A credit sales investigation team led by Mr. Wen Zaixing, Deputy Director of Department of Market Supervision, Ministry of Commerce went to Fujian and reviewed the achievement and experience of the Group in credit sales.

- Mr. Feng Zhi Bin, CEO of the Company, was elected Vice Chairman of the 5th Council of China Nitrogen Fertilizer Industry Association.

February 2011

- The Group signed the 2011-2014 Phosphate Import Agreement with OCP from Morocco.

- The signing ceremony of the Strategic Cooperation Framework Agreement with Kazphosphate LLP was held in the Great Hall of the People.

- A nationwide campaign for the promotion of Sinochem agricultural potash launched by the Group was kicked off with the presence of academician Professor Yuan Longping and officers from the State Administration for Industry & Commerce (SAIC) and the Ministry of Agriculture.

March 2011

- The Group released its 2010 Annual Report.

- Sinochem Corporation, the Company's intermediate holding company, assigned to Sinochem Fertilizer Co., Ltd. ("Sinochem Fertilizer"), a subsidiary of the Company, its shareholders' voting right and right to nominate representation to the board of directors of Qinghai Salt Lake Industry Co., Ltd..

April 2011

- The Board of Directors of the Company reviewed and approved the share ratio enhancement in Yunnan Three Circles-Sinochem Fertilizer Company Limited ("Yunnan Three Circles"), which aimed at promoting the construction of Yunnan Three Circles phase two project of 600,000 tons of phosphamidon.

- The Group participated in the launching ceremony of the "Nationwide Grand Campaign for Grain Yield Stability and Improvement & Activities of Sending Science and Technology to the Countryside" hosted by the Ministry of Agriculture.

- The State Administration for Industry & Commerce (SAIC) issued a feature article to support the Group for the first time regarding the Group's anti-counterfeiting activities on Canadian potash.

May 2011

- Mr. Feng Zhi Bin, CEO of the Company, and the Sinofert delegation attended the 79th International Fertilizer Industry Association (IFA) Annual Conference held in Canada and exchanged views with representatives from over 50 international fertilizer producers, traders and institutions focusing on market conditions of the industry.

June 2011

- Mr. Feng Zhi Bin, CEO of the Company, and the Sinofert delegation attended the China Qinghai Investment & Trade Fair for Economic Restructuring.

- The Company held its 2011 Annual General Meeting.

For the six months ended 30 June 2011, sales volume of the Group was 8.39 million tons, and turnover was RMB18,472 million, up by 12.82% and 39.45%, respectively, from the corresponding period of 2010.

For the six months ended 30 June 2011, gross profit of the Group was RMB1,161 million, up by 79.02% from the corresponding period of 2010; profit attributable to shareholders of the Company was RMB496 million, up by 46.01% from RMB340 million for the six months ended 30 June 2010. Excluding the changes in fair value of derivative component of convertible loan notes, profit attributable to shareholders of the Company was RMB449 million, representing an increase of 95.05% from RMB230 million for the six months ended 30 June 2010.

I. Operation Scale

1. Sales Volume

For the six months ended 30 June 2011, sales volume of the Group was 8.39 million tons, up by 12.82% over the corresponding period of 2010. Particularly, the volume of imported fertilizers rose by 35.75% year on year to 1.92 million tons which was mainly attributable to significant growth in imported potash sales volume year on year and the volume of domestic fertilizers increased by 7.27% year on year to 6.22 million tons.

The fertilizer industry was recovering during the first half of 2011. The Group seized market opportunities to increase sales volume and further consolidated its market status by strengthening international and domestic supply system, optimizing distribution network system and fully leveraging competitive edges of the complete industrial chain. The sales volume of potash increased by 43.51% year on year as potash business, especially imported potash business, maintained relatively strong competitiveness. The sales volume of nitrogen rose by 19.64% year on year thanks to the further improved nitrogen supply base and core supplier system. With advantages in product supply of the Group's compound fertilizer subsidiaries, sales volume of compound fertilizer rose by 17.25% year on year. Sales volume of phosphate dropped by 21.37% year on year due to the impact of export policies in the first half of 2011.

2. *Turnover*

For the six months ended 30 June 2011, turnover of the Group was RMB18,472 million, up by RMB523 million, or 39.45% over the corresponding period of 2010. The growth rate of turnover was higher than the 12.82% growth rate of sales volume, which was mainly caused by increasing fertilizer prices during the first half of 2011.

The breakdown of turnover by product of the Group for the six months ended 30 June 2011 is as follows:

Table 1:

	For the six months ended 30 June			
	2011		2010	
	Turnover	**As percentage of total turnover**	Turnover	As percentage of total turnover
	RMB'000	**%**	RMB'000	%
Potash Fertilizers	**4,718,641**	**25.55%**	3,188,399	24.07%
Nitrogen Fertilizers	**6,497,350**	**35.17%**	4,033,184	30.45%
Compound Fertilizers	**2,873,403**	**15.56%**	2,068,108	15.61%
Phosphate Fertilizers	**3,722,492**	**20.15%**	3,388,945	25.59%
Others	**659,905**	**3.57%**	567,559	4.28%
Total	**18,471,791**	**100.00%**	13,246,195	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 by operating segment for the six months ended 30 June 2011 and the same period of the previous year:

Table 2:

	For the six months ended 30 June 2011		
	Sourcing & Distribution RMB'000	Production RMB'000	Total RMB'000
Turnover			
External sales	15,736,858	2,734,933	18,471,791
Segment profit	424,377	311,466	735,843

	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

Segment profit represents the profit earned by each segment without unallocated expenses/income, the changes of fair value in derivative instruments or finance costs. The Group uses these quantitative reports for the purposes of resource allocation and assessment of segment performance.

The Group's results for the six months ended 30 June 2011 improved remarkably compared with that of the same period of 2010 with the increasing Chinese domestic fertilizer prices. For the six months ended 30 June 2011, the Sourcing and Distribution Segment realized a profit of RMB424 million, up by RMB277 million over RMB147 million for the corresponding period of 2010. The Sourcing and Distribution Segment recorded higher profit margin which was mainly due to implementation of the operation strategy of "quick-buy-and-quick-sell, fast turnover of products, strict control of inventory, no speculation" by the Group in 2011. The Production Segment realized a profit which was RMB274 million more than that for the same period of 2010. This was mainly attributable to continuous technological innovation, cost saving and efficiency improvement and integrated operation among compound fertilizer subsidiaries of the Group during the first half of 2011.

II. Profit

1. Gross profit

For the six months ended 30 June 2011, gross profit of the Group was RMB1,161 million, representing an increase of RMB512 million, or 79.02% over the corresponding period of 2010.

During the first half of 2011, the fertilizer market was recovering with steadily increased prices. The Group seized market opportunities and fully leveraged its advantages of the complete industrial chain. The gross margin of the Group's potash business was increased significantly as compared with the same period of the previous year due to supplies secured early this year and efforts to expand sales with higher operation efficiency. The profit margin of the nitrogen business was relatively high due to comprehensive competitive edges of "integration of production and sales, combination of trade and distribution and unification of international and domestic business". The Group's phosphate and compound fertilizer business achieved a relatively high profit margin for recent years thanks to sufficient supplies with competitiveness in purchase cost from the subsidiaries and joint ventures.

In summary, profitability for all products was improved. For the second half of 2011, facing the changing market, the Group would carry out flexible operation measures in a prudent manner to secure considerable growth in both sales volume and profit for the whole year.

2. Share of results of jointly controlled entities and associates

Share of results of jointly controlled entities: For the six months ended 30 June 2011, share of results of jointly controlled entities of the Group increased by RMB45 million compared with that of the same period of 2010, including a total profit of RMB46 million from Yunnan Three Circles, Yunnan Three Circles-Sinochem-Mosaic Fertilizer Co. Ltd. (formerly known as Yunnan three Circles-Sinochem-Cargill Fertilizer Co., Ltd.) and Gansu Wengfu Chemical Co., Ltd.. For the same period of 2010, the results for these three entities and Tianji Sinochem Gaoping Chemical Limited was a profit of RMB23 million and a loss of RMB22 million, respectively.

Share of results of associates: For the six months ended 30 June 2011, share of results of associates of the Group amounted to RMB146 million, which was slightly higher than that of the same period of 2010.

3. Income tax (expense) credit

For the six months ended 30 June 2011, income tax expenses of the Group was RMB99 million. The main reason was that since the fertilizer market went well during this period, all subsidiaries, except for Sinochem Fertilizer and Sinochem Pingyuan Chemical Co., Ltd., generated taxable income after utilization of tax losses from previous years. In addition, Sinochem Fertilizer was able to utilize taxable losses from previous years as a result of making profit for 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 2011, profit attributable to shareholders of the Company was RMB496 million, which was an increase of RMB156 million over the corresponding period of 2010. Leveraging the complete industrial chain, the Group strived to improve sales volume with stabilized profit margin and increase profit by accelerating inventory turnover.

For the six months ended 30 June 2011, net profit margin of the Group derived from profit attributable to shareholders of the Company dividing by turnover was 2.69%, which fell to 2.43% when the effect of the changes in fair value of the derivative component of convertible loan notes was excluded.

III. Expenditures

For the six months ended 30 June 2011, total amount of expenses were RMB725 million, up by RMB15 million over that of RMB710 million for the corresponding period of 2010. The growth rate of expense was 2.11%, which was far below the 39.45% growth rate of turnover and less than the inflation rate of 5.4%. This was mainly due to less warehouse expenses with high inventory turnover as a result of implementation of "quick-buy-and-quick-sell" strategy. The breakdown is as below:

Selling and distribution expenses: For the six months ended 30 June 2011, selling and distribution expenses were RMB335 million, which was on a par with that of RMB336 million for the corresponding period of 2010.

Administrative expenses: For the six months ended 30 June 2011, administrative expenses were RMB225 million, up by RMB13 million or 6.33% over that of RMB212 million for the corresponding period of 2010. This was mainly attributable to business scale expansion.

Finance costs: For the six months ended 30 June 2011, finance costs were RMB165 million, which was on a par with that of RMB162 million for the corresponding period of 2010.

IV. Other Income and Gains

For the six months ended 30 June 2011, other income and gains was RMB408 million, increased by RMB251 million or 159.87% from RMB157 million for the corresponding period of 2010. The main reason was the recognition of approximately RMB341 million gains on deemed dilution in interest in associates. In the first half of 2011, an associate of the Group, Qinghai Salt Lake Potash Co., Ltd. ("Qinghai Salt Lake") merged with Qinghai Salt Lake Industry Group Co., Ltd. ("Salt Lake Group") (the "Merger"). Qinghai Salt Lake acquired the business of Salt Lake Group by issuance of new shares to the existing shareholders of Salt Lake Group in exchange of all the outstanding shares of Salt Lake Group. Upon completion of the Merger, the equity interest held by the Group in Qinghai Salt Lake decreased from 18.49% to 8.94%. The Group regarded the reduction of equity interests in Qinghai Salt Lake resulted from the Merger as deemed dilution in investment in an associate and recognized the corresponding amount in other income and gains. Qinghai Salt Lake changed its name to Qinghai Salt Lake Industrial Co., Ltd. in the reporting period.

V. Other Expenses and Losses

For the six months ended 30 June 2011, the Group's other expenses and losses amounted to RMB477 million, representing an increase of RMB415 million, or 674.89% over that of RMB62 million for the corresponding period of 2010. The main reasons were:

1. Goodwill impairment increased by RMB265 million over that for the same period of 2010. The main reason was that profit was squeezed in one of the Group's nitrogen production subsidiaries as a result of the combination of increasing production costs caused by higher price for major raw materials and steady selling price due to domestic supply and demand. Based on the forecast of future cashflow and taking discounting rate of 10.40% into account, the Group recognized goodwill impairment in the reporting period for recoverable amount was less than the total book value of goodwill and long-term assets;

2. Fixed assets impairment increased by RMB60 million over that for the corresponding period of 2010. The main reason was that a production facility in one of the Group's subsidiaries has been idle as the market price for the product was low, the Group recognized the difference between the net realizable value and the book value of the production facility as fixed assets impairment;

3. Available-for-sale investments impairment increased by RMB51 million. The main reason was that the Group held shares of China XLX Fertiliser Ltd. whose price kept dropping since the beginning of 2011 with no signs for picking up in the near future, therefore, available-for-sale investments impairment was made;

4. Inventory write-down increased by RMB48 million. The Group made inventory write-down of RMB89 million relating to inventories as at 30 June 2011 according to requirement of applicable accounting principles.

VI. Inventory Turnover

The inventory balance of the Group as at 30 June 2011 was RMB6,146 million, increased by RMB1,008 million, or 19.62% over that of RMB5,138 million as at 31 December 2010. Inventory turnover days *(note)* decreased from 71 days for 2010 to 59 days for the first half of 2011 as the Group adhered to operation strategy of "quick-buy-and-quick-sell".

Note: Inventory turnover days for the six months ended 30 June 2011 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 2010 was calculated on the basis of average inventory balance as at the year ended 31 December 2010 divided by cost of goods sold in 2010, and multiplied by 360 days.

VII. Trade and Bills Receivables Turnover

The balance of the Group's trade and bills receivables as at 30 June 2011 was RMB1,371 million, decreased by RMB1,689 million, or 55.21% from that of RMB3,060 million as at 31 December 2010. This was mainly because that the Group reduced payment collection in bills receivables and increased payment collection in cash as sales was improving, thus reducing the balance of bills receivables as at 30 June 2011 significantly from that as at 31 December 2010.

Trade and bills receivables turnover days *(note)* decreased to 21 days for the first half of 2011 from 27 days for the year 2010.

Note: Turnover days for the first half of 2011 was calculated on the basis of average trade and bills receivables balance excluding bills discounted to banks as at the end of the reporting period divided by turnover for the reporting period, and multiplied by 180 days.

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

VIII. Interests in Jointly Controlled Entities

As at 30 June 2011, the balance of the Group's interests in jointly controlled entities was RMB630 million, increased by RMB41 million, or 6.86% over that of RMB589 million as at 31 December 2010, which was mainly attributable to profit realized for the first half of 2011 in jointly controlled entities, increasing interests in jointly controlled entities by RMB41 million according to equity accounting method.

IX. Interests in Associates

The balance of the Group's interests in associates as at 30 June 2011 was RMB7,700 million, increasing by RMB508 million, or 7.05% over that of RMB7,192 million as at 31 December 2010. The main reason was that the balance of interests in Qinghai Salt Lake as at 30 June 2011 was RMB7,537 million, up by RMB504 million from that as at 31 December 2010, including:

1. An increase of RMB143 million of returns on investment for the six months ended 30 June 2011;

2. The Group recognized an increase of RMB341 million in interests in associates due to the Merger during the reporting period. Upon the completion of the Merger, the equity interest held by the Group in Qinghai Salt Lake declined to 8.94% from 18.49%. However, Sinochem Corporation, the Company's intermediate holding company, assigned its shareholders' voting right and right to nominate representation to the board of directors of Qinghai Salt Lake relating to 15.01% of equity interest held by Sinochem Corporation in Qinghai Salt Lake to the Group and the assignment was irrevocable. Therefore, the Group maintained the significant influence over Qinghai Salt Lake after the Merger.

X. Available-for-sale Investments

As at 30 June 2011, the balance of the Group's available-for-sale investments was RMB194 million, while the balance as at 31 December 2010 was RMB267 million. The decrease of RMB73 million or 27.25% was mainly attributable to:

1. The Merger completed in March 2011 made the accounting of the shares in Salt Lake Group held by the Group convert from available-for-sale investments to interest in associates, decreasing available-for-sale investments by RMB22 million;

2. A depreciation of RMB51 million as a result of fair value change in shares in China XLX Fertiliser Ltd. held by the Group as at 30 June 2011.

XI. Long and Short-Term Loans

As at 30 June 2011, the balance of the Group's long-term and short-term loans was RMB5,605 million, down by RMB961 million or 17.15% from that of RMB6,566 million as at 31 December 2010. This was mainly because the Group repaid part of the borrowings by cash inflows in view of relatively good operating cashflow.

XII. Trade and Bills Payables

As at 30 June 2011, the balance of the Group's trade and bills payables was RMB3,616 million, increased by RMB1,040 million, or 40.38% over that of RMB2,576 million as at 31 December 2010. The increase of RMB1,136 million in the balance of trade payables as at 30 June 2011 was mainly caused by 90 days of credit provided by suppliers; the balance of bills payables as at 30 June 2011 decreased by RMB96 million from that as at 31 December 2010, which was mainly attributable to less payments made in bills payable by the Group as more cash was available.

XIII. 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 2011, the total face value of outstanding convertible loan notes was approximately HK$622 million, apart from the recognition of accrued interest and exchange rate movements, other factors remained unchanged from that as at 31 December 2010. According to relevant accounting standards, the Group arranged an independent assessment on the fair value of outstanding convertible loan notes on 30 June 2011. The gain arising from the changes in fair value of derivative component of the convertible loan notes and the amortized finance costs to the convertible loan notes was RMB47 million and RMB22 million, respectively, which were reflected in the condensed consolidated statement of comprehensive income for the reporting period.

Subsequent to the reporting period, convertible loan notes with face value of HK$0.35 million were converted into 96,153 ordinary shares with face value of HK$0.10, and the remaining notes with face value of approximately HK$621 million were repaid as they fell due at the consideration of approximately HK$790 million (approximately RMB653 million).

XIV. Other Financial Indicators

Basic earnings per share for the six months ended 30 June 2011 was RMB0.0707, up by RMB0.0223 over that of RMB0.0484 for the same period of 2010. Return on equity (ROE) for the six months ended 30 June 2011 was 3.83%, increased by 1.09 percentage points from that of 2.74% for the same period of 2010. This was mainly because the Group was able to seize opportunities to expand sales and maintain a good profitability in view of higher demand for all fertilizers during the first half of 2011.

Table 3:

	For the six months ended	
	30 June 2011	30 June 2010
Profitability		
Earnings per share *(RMB) (Note a)*	**0.0707**	0.0484
ROE *(Note b)*	**3.83%**	2.74%

Notes:

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

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

As at 30 June 2011, the Group's current ratio was 1.17, and the debt-to-equity ratio was 47.09%, representing a stable financial structure.

Table 4:

	As at 30 June 2011	As at 31 December 2010
Solvency		
Current ratio *(Note a)*	**1.17**	1.21
Debt-to-Equity ratio *(Note b)*	**47.09%**	55.27%

Notes:

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

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

XV. Liquidity and Financial Resources

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

As at 30 June 2011, cash and cash equivalents of the Group amounted to RMB350 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 2011 RMB'000	As at 31 December 2010 RMB'000
Secured	**2,426**	119,794
Unsecured	**3,121,839**	3,967,479
Bonds		
Principal	**2,500,000**	2,500,000
Less: amortized trading cost	**(19,740)**	(20,915)
Total	**5,604,525**	6,566,358

Table 6:

	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
Within one year	**2,343,965**	2,993,369
More than one year, but not exceeding five years	**770,300**	1,083,904
More than five years	**2,490,260**	2,489,085
Total	**5,604,525**	6,566,358

Table 7:

	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
Fixed interest rate	**2,661,591**	2,831,783
Floating interest rate	**2,942,934**	3,734,575
Total	**5,604,525**	6,566,358

As at 30 June 2011, bills receivables with carrying amount of approximately RMB2 million 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 2011, the Group had banking facilities of RMB40,236 million, including US$1,905 million and RMB27,908 million. The amount of utilized banking facilities was US$456 million and RMB2,034 million and that of unutilized banking facilities was US$1,449 million and RMB25,874 million.

XVI. 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.

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 2011. 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.

XVII. Contingent Liabilities

As at 30 June 2011, the Group had no material contingent liabilities.

XVIII. Capital Commitment

Table 8:

	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
Capital expenditure in respect of property, plant and equipment		
Contracted but not provided for	**64,655**	26,117
Authorized but not contracted for	**1,788,980**	1,848,543
Total	**1,853,635**	1,874,660

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.

XIX. Major Investments and Disposal

As at 30 June 2011, the Group had no material investment expenditure or disposal.

XX. 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 2011, the Group had about 10,074 full-time employees (including those employed by controlled entities), and their remuneration is determined with reference to market rates. No individual employee shall have the right to determine his/her own remuneration.

In addition to the basic remuneration, the Group also provided certain non-monetary benefits, such as training, to its employees. For the six months ended 30 June 2011, the Group provided 13,496 hours of training in aggregate for about 1,028 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.

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 44, which comprises the condensed consolidated statement of financial position of Sinofert Holdings Limited (the "Company") and its subsidiaries as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months 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, 25 August 2011

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Revenue	3	**18,471,791**	13,246,195
Cost of sales		**(17,311,267)**	(12,597,925)
Gross profit		**1,160,524**	648,270
Other income and gains		**407,860**	157,165
Distribution and selling expenses		**(334,872)**	(335,706)
Administrative expenses		**(225,042)**	(211,637)
Other expenses and losses		**(477,312)**	(61,597)
Share of results of jointly controlled entities		**45,831**	335
Share of results of associates		**145,843**	133,671
Changes in fair value of derivative financial instruments		**47,375**	109,752
Finance costs	4	**(165,201)**	(161,703)
Profit before tax		**605,006**	278,550
Income tax (expense) credit	5	**(98,942)**	48,501
Profit for the period	6	**506,064**	327,051
Other comprehensive expense			
Exchange differences arising on translation		**(95,801)**	(51,341)
Change in fair value of available-for-sale investments		**(52,912)**	(28,371)
Reclassification adjustment for the cumulative loss included in profit or loss upon disposal of available-for-sale investments		**6,746**	–
Reclassification adjustment for the cumulative loss included in profit or loss upon impairment of available-for-sale investments		**51,030**	–
Income tax relating to components of other comprehensive income		**(1,216)**	1,687
Other comprehensive expense for the period, net of tax		**(92,153)**	(78,025)
Total comprehensive income for the period		**413,911**	249,026

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Notes	Six months ended 30 June **2011** RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Profit for the period attributable to:			
– Owners of the Company		**496,385**	339,958
– Non-controlling interests		**9,679**	(12,907)
		506,064	327,051
Total comprehensive income attributable to:			
– Owners of the Company		**404,232**	261,933
– Non-controlling interests		**9,679**	(12,907)
		413,911	249,026
Earnings per share			
Basic (RMB)	*8*	**0.0707**	0.0484
Diluted (RMB)	*8*	**0.0654**	0.0349

Condensed Consolidated Statement of Financial Position

At 30 June 2011

	Notes	As at 30 June 2011 RMB'000 (unaudited)	As at 31 December 2010 RMB'000 (audited)
Non-current Assets			
Investment properties	9	**14,600**	14,600
Property, plant and equipment	9	**4,632,164**	4,848,151
Other long-term assets		**35,899**	40,443
Prepaid lease payments		**590,413**	515,916
Interests in associates	10	**7,699,555**	7,192,250
Interests in jointly controlled entities		**629,915**	589,486
Available-for-sale investments		**193,971**	266,624
Advance payment for acquisition of property, plant and equipment		**52,050**	25,420
Goodwill	11	**296,468**	568,705
Deferred tax assets		**789,923**	868,894
		14,934,958	14,930,489
Current Assets			
Inventories		**6,146,039**	5,138,088
Prepaid lease payments		**33,560**	31,741
Trade and bills receivables	12	**1,370,579**	3,059,884
Advance payments		**1,573,932**	1,853,543
Other receivables		**155,564**	134,763
Other deposits	13	**2,924,440**	50,100
Pledged bank deposits		**5,007**	22,638
Bank balances and cash		**350,001**	223,317
		12,559,122	10,514,074
Current Liabilities			
Trade and bills payables	14	**3,615,861**	2,575,807
Receipts in advance		**3,760,263**	2,160,939
Other payables		**350,196**	293,784
Derivative financial instruments		**17**	48,058
Tax liabilities		**19,787**	4,414
Convertible loan notes	15	**653,204**	646,486
Borrowings – due within one year	16	**2,343,965**	2,993,369
		10,743,293	8,722,857
Net Current Assets		**1,815,829**	1,791,217
Total Assets less Current Liabilities		**16,750,787**	16,721,706

Condensed Consolidated Statement of Financial Position

At 30 June 2011

	Notes	**As at 30 June 2011 RMB'000 (unaudited)**	As at 31 December 2010 RMB'000 (audited)
Capital and Reserves			
Issued equity	*17*	**8,262,625**	8,260,977
Reserves		**4,682,355**	4,343,287
Equity attributable to owners of the Company		**12,944,980**	12,604,264
Non-controlling interests		**339,449**	329,770
Total Equity		**13,284,429**	12,934,034
Non-current Liabilities			
Borrowings – due after one year	*16*	**3,260,560**	3,572,989
Deferred income		**153,939**	160,635
Deferred tax liabilities		**51,859**	54,048
		3,466,358	3,787,672
Total Equity and Non-current Liabilities		**16,750,787**	16,721,706

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to owners of the Company											
	Issued equity RMB'000	Merger reserve RMB'000 *(Note a)*	Capital reserve RMB'000 *(Note b)*	Statutory reserve RMB'000 *(Note c)*	Investment revaluation reserve RMB'000	Share option reserve RMB'000	Other reserve RMB'000 *(Note d)*	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
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 for the period	–	–	–	–	–	–	–	–	339,958	339,958	(12,907)	327,051
Other comprehensive expense for the period	–	–	–	–	(26,684)	–	–	(51,341)	–	(78,025)	–	(78,025)
Total comprehensive income 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
Lapse 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
At 1 January 2011 (audited)	8,260,977	255,531	485,551	384,071	(3,648)	8,032	36,290	(531,830)	3,709,290	12,604,264	329,770	12,934,034
Profit for the period	–	–	–	–	–	–	–	–	496,385	496,385	9,679	506,064
Other comprehensive expense for the period	–	–	–	–	3,648	–	–	(95,801)	–	(92,153)	–	(92,153)
Total comprehensive income for the period	–	–	–	–	3,648	–	–	(95,801)	496,385	404,232	9,679	413,911
Lapse of share options	–	–	–	–	–	(335)	–	–	335	–	–	–
Exercise of share options	1,648	–	–	–	–	(352)	–	–	–	1,296	–	1,296
Dividends paid	–	–	–	–	–	–	–	–	(64,812)	(64,812)	–	(64,812)
At 30 June 2011 (unaudited)	8,262,625	255,531	485,551	384,071	–	7,345	36,290	(627,631)	4,141,198	12,944,980	339,449	13,284,429

Notes:

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

b. The capital reserve of the Group mainly represents contributions from/distributions to the ultimate holding company.

c. Statutory reserve comprises of reserve fund and enterprise expansion fund. In accordance with relevant rules and regulations on foreign investment enterprise established in the People's Republic of China (the "PRC"), the Company's PRC subsidiaries are required to transfer a portion of their profit after income tax to the reserve fund, until the accumulated amount 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.

d. In 2010, a PRC subsidiary of the Group received funding of RMB36,290,000 from the Company's ultimate holding company, Sinochem Group, which can only be used to fund energy saving and emission reduction projects.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	**4,182,562**	1,017,710
Net cash used in investing activities		
Purchases of property, plant and equipment	**(84,243)**	(116,533)
Additions of prepaid lease payments	**(92,474)**	(10,256)
Acquisition of an available-for-sale investment	**(4,000)**	–
Proceeds from disposals of a jointly controlled entity	**–**	110,000
Acquisition of other long-term assets	**(2,823)**	(5,258)
Placement of other deposits	**(16,240,500)**	(50,000)
Proceeds from withdrawal of other deposits	**13,372,600**	–
Interest received	**19,195**	2,005
Proceeds from disposals of property, plant and equipment	**17,503**	381
Decrease in pledged bank deposits	**17,631**	3,636
Dividends received from a jointly controlled entity	**10,153**	6,674
Dividends received from an available-for-sale investment	**1,502**	2,282
	(2,985,456)	(57,069)
Net cash used in financing activities		
Proceeds from borrowings raised	**4,290,329**	5,290,674
Repayments of borrowings	**(5,214,114)**	(6,011,666)
Dividends paid	**(64,812)**	–
Interest paid	**(82,596)**	(162,360)
Proceeds from exercise of options	**1,296**	6,883
	(1,069,897)	(876,469)
Net increase in cash and cash equivalents	**127,209**	84,172
Cash and cash equivalents at 1 January	**223,317**	190,584
Effect of foreign exchange rate changes	**(525)**	(14)
Cash and cash equivalents at 30 June, represented by		
Bank balances and cash	**350,001**	274,742

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

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, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, a number of new or revised standards and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

The application of the new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosures of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]

2. Principal Accounting Policies (Continued)

[1] Effective for annual periods beginning on or after 1 July 2011

[2] Effective for annual periods beginning on or after 1 January 2013

[3] Effective for annual periods beginning on or after 1 July 2012

[4] Effective for annual periods beginning on or after 1 January 2012

The five new or revised standards on consolidation, joint arrangements and disclosures were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31 December 2013 and the potential impact is described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The application of HKFRS 11 might result in changes in the classification of the Group's joint arrangements and their accounting treatments. The Group's jointly controlled entities that are currently accounted for using the equity method of accounting might be classified as joint operations and accounted for in accordance with HKFRS 11.

The directors of the Company are currently assessing the impacts of application of the new and revised standards, amendments or interpretations 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 by operating segments for the period under review:

	Six months ended 30 June 2011		
	Sourcing and distribution RMB'000	**Production RMB'000**	**Total RMB'000**
Revenue			
External revenue	15,736,858	2,734,933	18,471,791
Inter-segment revenue	190,065	1,349,015	1,539,080
Segment revenue	15,926,923	4,083,948	20,010,871
Elimination	(190,065)	(1,349,015)	(1,539,080)
The Group's revenue	15,736,858	2,734,933	18,471,791
Segment profit	424,377	311,466	735,843
Unallocated expenses			(63,830)
Unallocated income			50,819
Finance costs			(165,201)
Changes in fair value of derivative financial instruments			47,375
Profit before tax			605,006

3. Segment Information (Continued)

	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			157,165
Finance costs			(161,703)
Changes in fair value of derivative financial instruments			109,752
Profit before tax			278,550

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without taking into account of unallocated expenses/income, changes in fair value of derivative financial instruments and finance costs. This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment.

4. Finance Costs

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Interests on borrowings		
– wholly repayable within five years	**81,181**	84,954
– not wholly repayable within five years	**63,803**	77,406
Interests on convertible loan notes	**21,574**	21,115
Less: amount capitalized	**(1,357)**	(21,772)
	165,201	161,703

Borrowing costs capitalized during the period on the general borrowing pool are calculated by applying a capitalization rate of 5.05% (2010:4.65%) per annum to expenditure on qualifying assets.

5. Income Tax (Expense) Credit

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
The (charge) credit comprises:		
Current tax:		
Hong Kong Profits Tax	**(133)**	(2,934)
PRC Enterprise Income Tax	**(23,243)**	(3,324)
	(23,376)	(6,258)
Deferred tax:		
Current period	**(75,566)**	54,759
	(98,942)	48,501

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.

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

6. Profit for The Period

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Profit for the period has been arrived at after charging and (crediting):		
Depreciation of property, plant and equipment	**196,653**	117,132
Amortization of other long-term assets	**7,367**	7,408
Total depreciation and amortization	**204,020**	124,540
Release of prepaid lease payments	**16,158**	13,891
Write-down of inventories *(note a)*	**89,495**	41,839
Impairment loss on property, plant and equipment included in other expenses and losses *(Note 9)*	**59,550**	–
Deferred income released	**(7,396)**	(12,347)
(Reversal of allowance) allowance provided on trade receivables	**(16,012)**	273
Reversal of allowance provided on other receivables	**(1,392)**	–
Loss on disposal of property, plant and equipment	**1,249**	187
Gain on disposal of a jointly controlled entity *(note b)*	**–**	(23,665)
Gain on deemed dilution of interests in an associate *(Note 10)*	**(341,029)**	–
Impairment loss on available-for-sale investments included in other expenses and losses	**51,030**	–
Impairment loss on goodwill included in other expenses and losses *(Note 11)*	**265,357**	–
Exchange gain	**(5,533)**	(30,653)

Note:

a. During the period ended 30 June 2011, write-down of inventories amounting to approximately RMB89,495,000 (2010: RMB41,839,000) is recorded and recognized in other expenses and losses. Such write-down is related to inventories on hand as at the end of reporting period.

b. During the period ended 30 June 2010, 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 was recognized in profit or loss. The remaining interest in this entity was accounted for as available-for-sale investments, which was initially recognized at its fair value of RMB85,000,000.

7. Dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: nil).

During the six months ended 30 June 2011, the final dividend for the year ended 31 December 2010 of approximately RMB64,812,000 at HK$0.011 (approximate to RMB0.0091) per share has been paid. No dividends were paid during the six months ended 30 June 2010.

8. Earnings Per Share

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic earnings per share	**496,385**	339,958
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	**21,574**	21,115
Changes in fair value of derivative financial instruments	**(47,375)**	(109,752)
Earnings for the purpose of diluted earnings per share	**470,584**	251,321
	'000 shares	'000 shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,021,492**	7,018,343
Effect of dilutive potential ordinary shares from:		
Share options	**1,601**	5,292
Convertible loan notes	**170,742**	170,742
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**7,193,835**	7,194,377

9. Property, Plant and Equipment and Investment Properties

During the six months ended 30 June 2011, the Group disposed certain plant and machinery with an aggregate carrying amount of approximately RMB18,752,000 (2010: RMB568,000) for cash proceeds of approximately RMB17,503,000 (2010: RMB381,000), resulting in a loss on disposal of approximately RMB1,249,000 (2010: RMB187,000).

During the six months ended 30 June 2011, the Group spent approximately RMB84,243,000 (2010: RMB116,533,000) mainly on the construction of new production plants.

An impairment loss of approximately RMB59,550,000 (2010:nil) was recognized during the current interim period in respect of obsolete plant and machinery.

On 30 June 2011, 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. Interests in associates

During the six months ended 30 June 2011, an associate of the Group, Qinghai Salt Lake Potash Co., Ltd. ("Qinghai Salt Lake") merged with Qinghai Salt Lake Industry Group Co., Ltd. ("Salt Lake Group") (the "Merger"). Qinghai Salt Lake acquired the businesses of Salt Lake Group by issuance of new shares to the existing shareholders of Salt Lake Group in exchange of all the outstanding shares of Salt Lake Group. Upon completion of the Merger, the equity interest held by the Group in Qinghai Salt Lake decreased from 18.49% to 8.94% and Qinghai Salt Lake changed its name to Qinghai Salt Lake Industrial Co., Ltd.

Upon the Merger, the intermediate holding company of the Company, Sinochem Corporation irrevocably assigned its voting right and right to nominate representation to the board of directors in Qinghai Salt Lake in respect of its 15.01% equity interest in Qinghai Salt Lake for free to the Group. Consequently, the Group maintained its significant influence over Qinghai Salt Lake after the Merger. The Group accounted for the reduction of equity interest in Qinghai Salt Lake as a result of the Merger as a deemed dilution in investment in an associate and recognized a gain of approximately RMB341,029,000 in other income and gains in the current interim period.

11. Goodwill

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
COST		
At 1 January	**568,705**	579,258
Exchange adjustments	**(6,880)**	(2,888)
At 30 June	**561,825**	576,370
IMPAIRMENT		
At 1 January	**–**	–
Impairment loss recognized	**(265,357)**	–
At 30 June	**(265,357)**	–
CARRYING AMOUNT		
At 30 June 2011		296,468
At 1 January 2011		568,705

For the purposes of impairment testing, goodwill has been allocated to the cash generating units ("CGUs") of the related segments as follows:

	30 June 2011 RMB'000	31 December 2010 RMB'000
Sourcing and distribution	**266,263**	272,442
Production		
– Sinochem Pingyuan Chemical Company Limited ("Sinochem Pingyuan")	**–**	265,357
– Others	**30,205**	30,906
	296,468	568,705

During the six months ended 30 June 2011, Sinochem Pingyuan continued to make significant loss. The directors of the Company considered there is indication that the goodwill allocated to Sinochem Pingyuan has been impaired.

11. Goodwill (Continued)

Recoverable amounts of Sinochem Pingyuan have been determined on the basis of value in use calculations as at 30 June 2011. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to revenue and direct costs used in the cashflow forecasts. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market. The directors of the Company estimate discount rates of 10.40%, using pre-tax rates that reflect current market assessment of the time value of money and the risks specific relating to Sinochem Pingyuan. Cash flow forecasts are derived from financial budgets of 2011 approved by the directors of the Company. The purchase price of key raw materials has been significantly increased in the current period, which attributed to higher direct production cost. However, the sales price of related products has been relatively stable and is expected to maintain at the current level. The growth rates for the first 3 years from 2012 is estimated to be approximately 7.00%, which is based on Sinochem Pingyuan's past performance and management's expectation for the market development, while the growth rates for the following years are steady.

Based on the results on the assessment of the recoverable amounts of Sinochem Pingyuan, during the period ended 30 June 2011, the Group recognized an impairment loss of approximately RMB265,357,000 (2010: nil) in relation to goodwill arising on acquisition of Sinochem Pingyuan.

12. Trade and Bills Receivables

The Group allows an average credit period of approximate 90 days to its trade customers. As at 30 June 2011, 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 2011 RMB'000	31 December 2010 RMB'000
Within three months	**500,714**	749,791
More than three months, but not exceeding six months	**805,609**	2,308,638
More than six months, but not exceeding one year	**55,614**	849
Exceeding one year	**8,642**	606
	1,370,579	3,059,884

13. Other Deposits

Other deposits represent principal-protected financial products issued by financial institutions in the PRC, which carried at fixed interest rates from 1.65% to 7.00% per annum. Among other deposits as at 30 June 2011, balances of approximately RMB2,414,440,000 (2010: nil) were restricted and can only be withdrawn until maturity. The directors of the Company consider the other deposits as a current asset since the maturity dates are all within one year at the end of the reporting period. All of other deposits are accounted for as loans and receivables at amortized cost.

14. Trade and Bills Payables

As at 30 June 2011, the aging analysis of trade and bills payables presented based on the invoice date is as follows:

	30 June 2011 RMB'000	31 December 2010 RMB'000
Within three months	**3,205,753**	2,161,941
More than three months, but not exceeding six months	**279,357**	260,009
More than six months, but not exceeding one year	**35,767**	34,088
Exceeding one year	**94,984**	119,769
	3,615,861	2,575,807

15. Convertible Loan Notes

Subsequent to the reporting period, among the outstanding convertible loan notes as at 30 June 2011, notes with face value of HK$350,000 were converted into 96,153 ordinary shares of HK$0.10 each and the remaining notes with face value of HK$621,150,000 were redeemed for cash consideration of approximately HK$790,289,000, equivalent to approximately RMB652,542,000.

16. Borrowings

As at 30 June 2011, the Group's available unutilized banking facilities were approximately RMB35,249,780,000 (2010: RMB34,019,670,000).

17. Issued Equity

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
At the beginning of the period	**8,260,977**	8,248,928
Issue of new shares of par value of HK$0.10 each:		
Exercise of options *(note)*	**1,648**	8,946
At the end of the period	**8,262,625**	8,257,874

Note: During the current interim period, share option holders exercised options with grant-date fair value of approximately HK$420,000 (approximate to RMB352,000) (2010: HK$2,351,000 (approximate to RMB2,063,000)) and the new shares issued were included in the Company's issued equity.

18. Commitments

(a) Capital commitments

	30 June 2011 RMB'000	31 December 2010 RMB'000
Capital expenditure in respect of property, plant and equipment:		
Contracted but not provided for	**64,655**	26,117
Authorized but not contracted for	**1,788,980**	1,848,543
	1,853,635	1,874,660

(b) Operating lease arrangements

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	30 June 2011 RMB'000	31 December 2010 RMB'000
Within one year	**789**	789
More than one year, but not exceeding five years	**435**	620
	1,224	1,409

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2011 RMB'000	31 December 2010 RMB'000
Within one year	**51,808**	72,519
More than one year, but not exceeding five years	**20,467**	11,975
More than five years	**9,473**	5,677
	81,748	90,171

19. 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	
	2011	2010
	RMB'000	RMB'000
Sales of fertilizers to ultimate holding company	**–**	154
Sales of fertilizers to jointly controlled entities	**9,867**	43,826
Sales of fertilizers to an associate	**1,026**	–
Purchases of fertilizers from ultimate holding company	**213,046**	162,437
Purchases of fertilizers from a subsidiary of a shareholder (with significant influence over the Company)	**2,376**	194,424
Purchases of fertilizers from jointly controlled entities	**476,642**	1,026,178
Purchases of fertilizers from an associate	**320,128**	28,996
Import service fee paid to ultimate holding company	**1,708**	84
Import service fee paid to a fellow subsidiary	**6,614**	2,058
Rental expenses paid to fellow subsidiaries	**11,736**	10,715
Agency fee paid to a fellow subsidiary	**732**	1,020

19. 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 2011 RMB'000	31 December 2010 RMB'000
Advance payments to suppliers		
Gansu Wengfu Chemical Co., Ltd. *(note b)*	**46,039**	38,148
Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. *(note b)*	**1,574**	–
Qinghai Salt Lake *(note e)*	**49,541**	361,545
Guizhou Xinxin Industrial and Agricultural Trading Co., Ltd. *(note e)*	**32,606**	–
	129,760	399,693
Trade payables		
Sinochem Group *(note c)*	**878,594**	58,847
Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. *(note b)*	**–**	30,881
PCS Sales (USA) Inc. *(note d)*	**–**	64,995
	878,594	154,723
Other receivables		
Beijing Chemsunny Property Co., Ltd. *(note a)*	**4,273**	4,281
Guiyang Sinochem Kailin Fertilizer Co., Ltd. *(note b)*	**5,402**	10,153
	9,675	14,434

Notes:

a. A fellow subsidiary of the Company, owned by the Company's ultimate holding company, Sinochem Group

b. A jointly controlled entity of the Group

c. The ultimate holding company of the Company

d. A subsidiary of a shareholder with significant influence over the Company

e. An associate of the Group

19. Related Party Transactions (Continued)

(c) Transactions 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-controlled entities"). 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 fellow subsidiaries and other related parties as disclosed above, the Group also conducts business with other state-controlled entities. The directors of the Company consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

During the period, the Group had the following significant transactions with other state-controlled entities as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Sales of fertilizers	**1,637,802**	418,309
Purchase of fertilizers	**1,582,582**	2,583,665

(d) Compensation of key management personnel

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Salaries and other benefits	**2,568**	2,419
Retirement benefit scheme contributions	**60**	53
Share-based payments	**–**	67
Fees	**772**	820
	3,400	3,359

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 2011.

Directors' Interests in Shares and Underlying Shares

As at 30 June 2011, 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$0.10 each of the Company

As at 30 June 2011, a director of the Company had long position 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 2011, 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	211,900	211,900
Harry Yang	Beneficial owner	210,600	210,600
Wade Fetzer III *(retired on 16 June 2011)*	Beneficial owner	128,000	128,000

Save as disclosed above, as at 30 June 2011, 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 the 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 2011, 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 a)*	3,698,660,874	52.67%
Sinochem Corporation *(Note a)*	3,698,660,874	52.67%
Sinochem Hong Kong (Group) Company Limited ("Sinochem HK") *(Note b)*	3,698,660,874	52.67%
Potash Corporation of Saskatchewan Inc. ("PotashCorp") *(Note c)*	1,547,500,141	22.04%

Notes:

a. 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). Accordingly, Sinochem Group and Sinochem Corporation are deemed to be interested in 3,698,660,874 ordinary shares of the Company being the corporate interest beneficially held by Sinochem HK.

b. Sinochem HK is beneficially interested in 3,698,660,874 ordinary shares of the Company.

c. 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 2011.

Share Options of the Company

The Company has adopted share option schemes to provide incentives to directors, eligible employees and other eligible participants. 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 2010 as set out in the Company's 2010 annual report.

The following tables showed the movements in the Company's share options granted to directors, employees and other eligible participants under both the Old Share Option Scheme and the New Share Option Scheme during the six months ended 30 June 2011:

Old Share Option Scheme

				Number of share options			
Grantees	**Date of grant**	**Exercisable period**	**Exercise price**	**Outstanding at 1 January 2011**	**Exercised during the period**	**Lapsed during the period**	**Outstanding at 30 June 2011**
		(Note a)	*HK$*		*(Note b)*		
Directors							
Liu De Shu	23 January 2006	23 January 2008 – 22 January 2012	1.672	1,900	–	–	1,900
Harry Yang	23 January 2006	23 January 2008 – 22 January 2012	1.672	600	–	–	600
Employees							
Employees	23 January 2006	23 January 2008 – 22 January 2012	1.672	3,178,400	(314,000)	(2,000)	2,862,400
Other eligible participant							
Former director *(Note d)*	23 January 2006	23 January 2008 – 22 January 2012	1.672	609,900	(609,900)	–	–
				3,790,800	(923,900)	(2,000)	2,864,900

Notes:

a. Two-thirds of the total number of share options granted to each director, employee and eligible participant on 23 January 2006 were exercisable on or after 23 January 2008 and the remaining balance of share options granted were exercisable on or after 23 January 2009. All unexercised share options will expire on 23 January 2012.

b. 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$3.67.

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

d. Former director is Mr. Du Ke Ping, who resigned as a director of the Company effective on 15 July 2010.

New Share Option Scheme

Grantees	Date of grant	Exercisable period	Exercise price	Number of share options Outstanding at 1 January 2011	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2011
		(Note e)	*HK$*				
Directors							
Liu De Shu	28 August 2007	28 August 2009 – 27 August 2013	4.990	210,000	–	–	210,000
Harry Yang	28 August 2007	28 August 2009 – 27 August 2013	4.990	210,000	–	–	210,000
Wade Fetzer III *(Note g)*	28 August 2007	28 August 2009 – 27 August 2013	4.990	128,000	–	–	128,000
Employees							
Employees	28 August 2007	28 August 2009 – 27 August 2013	4.990	2,214,728	–	(213,000)	2,001,728
Other eligible participants							
Former directors *(Note h)*	28 August 2007	28 August 2009 – 27 August 2013	4.990	338,000	–	–	338,000
				3,100,728	–	(213,000)	2,887,728

Notes:

e. 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 were exercisable on or after 28 August 2009;

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

   iii) a further 25% of the share options granted were 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 were forfeited on 28 August 2010.

   All unexercised share options will expire on 28 August 2013.

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

g. Mr. Wade Fetzer III retired as non-executive director of the Company effective on 16 June 2011.

h. Former directors are Mr. Song Yu Qing and Mr. Du Ke Ping, who resigned as directors of the Company effective on 16 November 2009 and 15 July 2010 respectively.

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 2011.

Model Code for Securities Transactions

The Company has adopted the Model Code as 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 2011.

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 2011 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 provides that, among others, the chairman of the board should attend the annual general meeting of the listed issuer. In the annual general meeting of the Company held on 16 June 2011 ("2011 AGM"), Mr. Liu De Shu, Chairman of the Board, did not chair the meeting due to other essential business engagements. In order to ensure smooth holding of the 2011 AGM, the Chairman of the Board authorized and the directors attended the meeting elected Mr. Feng Zhi Bin, the executive director and Chief Executive Officer of the Company, to chair the meeting on behalf of the Chairman of the Board. Respective chairmen of the audit, remuneration and nomination committees of the Company were present at the 2011 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 2010 annual report for more information about the corporate governance practices of the Company.

Additional Information

Disclosure of Information of Director

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

Mr. Ko Ming Tung, Edward, independent non-executive director of the Company, was appointed as a non-executive director of Rainbow Brothers Holdings Limited with effect from 9 May 2011, and resigned as an independent non-executive director of Kai Yuan Holdings Limited with effect from 31 May 2011, whose shares are listed on the Main Board of the Stock Exchange.

Audit Committee

The audit committee of the Company 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 of the Group, including the review of the condensed consolidated financial statements of the Company for the six months ended 30 June 2011.

Board of Directors

During the six months ended 30 June 2011, Mr. Wade Fetzer III retired as non-executive director of the Company and Ms. Xiang Dandan was appointed as non-executive director of the Company, the change was effective on 16 June 2011.

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 Ms. Xiang Dandan; and the independent non-executive directors of the Company are Mr. Ko Ming Tung, Edward, Dr. Tang Tin Sek and Mr. Tse Hau Yin, Aloysius.

For and on behalf of the Board

Liu De Shu
Chairman of the Board

Hong Kong, 25 August 2011