中化化肥控股有限公司
SINOFERT HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

Stock Code: 297

sinofert
Nurturing China's Agriculture Sector

與中國現代農業共同成長

Interim Report 2008

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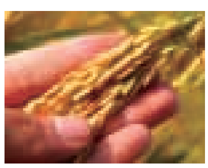

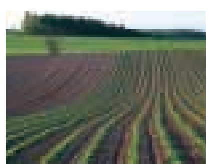

Corporate Information

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

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

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

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

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

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

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

Chief Financial Officer
Mr. ZHANG Bao Hong

Qualified Accountant
Ms. CHEUNG Kar Mun, Cindy

Company Secretary
Mr. Navin AGGARWAL

Auditors
Deloitte Touche Tohmatsu

Legal Advisers
Allen & Overy
K&L Gates

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

Registered Office
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Hamilton HM11
Bermuda

Principal Place of Business
Units 4601-4610, 46th Floor
Office Tower, Convention Plaza
1 Harbour Road
Wanchai, Hong Kong

Share Registrars and Transfer Offices
Bermuda (Principal office)
The Bank of Bermuda Limited
6 Front Street
Hamilton HM11
Bermuda

Hong Kong (Branch)
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26th Floor, Tesbury Centre
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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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Dear shareholders,

It's a great pleasure for me to present to you the interim report of Sinofert Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2008 for your review. On behalf of the Board, I would also like to extend my sincere thanks to all our shareholders and our friends from all walks of life for supporting the Group's development!

In the first half of 2008, the Chinese government strengthened macroeconomic control and attached top priority to curbing inflation by implementing a prudent fiscal policy and tight monetary policy. The country was also surmounted by the difficulties caused by severe natural disasters. Confronted with tough conditions of the macro-economic and market environment, with the support of all our shareholders, the Group adhered to the development strategy of "centering on marketing and distribution and expanding into both production and distribution", brought into full play the cutting edge of integrated business model, and achieved a rapid growth. For the six months ended 30 June 2008, the Group realized a total sales volume of 9.72 million tons and turnover of RMB22,316 million, up by 23.74% and 59.13%, respectively, over the same period of the previous year. Net profit attributable to shareholders rose by 135.90% to RMB1,241 million, and earnings per share (EPS) increased by 96.80% to RMB0.1783. These results all hit new record highs.

In the first half of 2008, the Group successfully acquired 75% of the equity interest in Shandong Deqilong Chemical Industry Co., Ltd. (currently known as Sinochem Pingyuan Chemical Co., Ltd.) and entered into an agreement on the equity transfer and capital injection in Jilin Fertilizer & Pesticide Group Co., Ltd. with Jilin Provincial State-owned Assets Supervision and Administration Commission. As a result, the Company's fertilizer production capacity was expanded and the base of domestically produced fertilizer supply broadened, laying a solid foundation for the improvement of the Group's profitability. As at 30 June 2008, the total fertilizer production capacity of the enterprises in which the Group had equity interest reached 10.16 million tons, making the Group one of China's largest fertilizer producers.

The Group continued to push forward the building up of the distribution network and the strategy of "setting up distribution centers at county level", and further enlarged the scale of the distribution network. As at 30 June 2008, the number of the distribution centers increased to 1,860. At the same time, we also intensified our efforts in the standardization of the distribution network with the aim to enhance its comprehensive quality and operating efficiency, as well as its abilities to serve the end-users.

Aiming at maximizing the interests of the shareholders, the Board continued to improve the management mechanism of the Group and constantly enhanced our corporate governance. In compliance with the provisions set out in Appendix 14 "Code on Corporate Governance Practices" of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group held two regular Board meetings in the first half of 2008, at which the 2007 Annual Report, dividend policy, corporate development strategy and other issues were deliberated and decided. Meanwhile, through irregular meetings the Board also examined such important matters as strategic investments and connected transactions. The Audit Committee, Remuneration Committee and Nomination Committee also exercised their rights and fulfilled their obligations as entrusted by the Board in their respective work.

Chairman's Statement

In the second half of 2008 and beyond, the growth rate of the global economy, including the Chinese economy, is expected to slow down. Besides, in order to guarantee food security and price stability, the Chinese government will continue to strengthen its efforts in adopting policies that benefit and enrich farmers for sustainable increase in grain production. All these will provide a favorable macro-environment for the development of the Company as well as the fertilizer industry at large.

The Group will get ready for the opportunities and challenges, adhere to the development strategy of "centering on marketing and distribution and expanding into both production and distribution", work harder on all front and vigorously promote the thought of lean management so as to fulfill all the business goals for 2008. We are committed to create higher value for the shareholders, create more wealth for society and shoulder more social responsibilities in promoting agricultural growth and food security in China.

On behalf of the Board, I would like to take this opportunity to express our sincere gratitude to our customers, the management and all the employees. We hope our shareholders will continue to care about and support our development, and the management and all the employees will keep forging ahead and overcoming various difficulties to achieve even better results.

Liu De Shu
Chairman of the Board

Hong Kong, 27 August 2008

Management Review and Prospect

In the first half of 2008, the Chinese government gave top priority to curbing inflation, and implemented a prudent fiscal policy and a tightened monetary policy. In the macro-control policy of "encouraging the growth of some sectors while limiting the expansion of others", supporting the development of agriculture is considered as an important strategy to stabilize inflation level and overcome impacts of severe natural disasters. The central budget allocated for expenditures related to agriculture, the farmers and rural areas in 2008 would amount to RMB587.75 billion, up by RMB155.9 billion, or 36% compared to that in 2007. Thanks to the favorable agricultural policies, China overcame the negative effects brought by the natural disasters to agriculture and achieved a good harvest of the summer grain for the 5th consecutive year. The amount of summer grain harvested in 2008 was 120.41 million tons, up by 3.04 million tons or 2.6% compared to that in 2007. Besides, the summer grain yield also kept growing for the past 5 consecutive years. The continued development of agriculture provided a favorable external environment for the stable growth of the fertilizer industry.

On the other hand, against the background of increasing fertilizer demand around the globe and surging fertilizer prices, in order to stabilize market price and guarantee domestic supply, the Chinese government tightened controls on fertilizer export and fertilizer selling prices. This had caused more uncertainties for the operations of the Group.

Confronted with such a complex and changing external environment, under the leadership of the Board, the Group adhered to the strategy of "centering on marketing and distribution and expanding into both production and distribution". As a result, the Group's production base and scale were further expanded, the scale and the overall quality of the distribution network enhanced, and the ability of distribution service substantially improved. As a leading enterprise in the industry, we implemented the relevant national policies, honored our responsibilities for the country, customers and consumers, and achieved remarkable progresses and results.

Financial Performance

For the six months ended 30 June 2008, the Group's turnover rose by 59.13% to RMB22,316 million, net profit attributable to shareholders increased by 135.90% to RMB1,241 million, and earnings per share (EPS) increased by 96.80% to RMB0.1783, over the same period of the previous year.

Product Operations

For the six months ended 30 June 2008, the Group's sales volume rose by 23.74% to 9.72 million tons compared with that of the same period of last year, which further consolidated the Company's market position as China's largest fertilizer distributor.

Among this, the sales volume of potash fertilizers amounted to 2.09 million tons, down by 28.07% year on year. The Group still maintained the biggest market share in the Chinese potash market. The decrease in potash sales volume was mainly caused by the late conclusion of the potash contract negotiations, a fall in potash import due to increasing international market prices and the slowing down in demand for potash raw materials of compound fertilizer plants.

Management Review and Prospect

Sales volume of nitrogen fertilizers surged 73.78% to 4.06 million tons. This was mainly attributable to the implementation of the supply chain management strategy, which broadened the supply system composed of suppliers in which the Group has equity interest or capital strategic alliances, suppliers with long term contracts as well as regional supplementary suppliers. Another factor is that the supply sources were increasingly concentrated.

Sales volume of phosphate fertilizers and compound fertilizers increased by 43.01% to 3.22 million tons. This was mainly attributable to the Group's enhanced strength in the integrated production and distribution strategy in the phosphate and compound fertilizer sector, as well as expanded alliances with other phosphate and compound fertilizer suppliers, which jointly enlarged the Group's supply base.

In addition, the Group's sulphur import and distribution business as well as the pesticide distribution business also made a greater contribution to the Group's performance, marking the initial success of the Group in its new business developing efforts.

Fertilizer Production

In the first half of 2008, the Group successfully acquired 75% equity interest in Shandong Deqilong Chemical Industry Co., Ltd. (currently known as Sinochem Pingyuan Chemical Co., Ltd.) and entered into an agreement on the equity transfer and capital injection in Jilin Fertilizer & Pesticide Group Co., Ltd. with Jilin Provincial State-owned Assets Supervision and Administration Commission. The enlarged production capacity of Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd., together with these acquisitions, boosted the Group's fertilizer production capacity by 2.31 million tons in the first half of 2008 to 10.16 million tons in total. Today the Group has become one of the largest fertilizer producer in China.

The Group paid high attention to environmental protection, energy saving and emission reduction. Following the principle of developing a "recycle economy", we implemented lean management and scientific and technological innovation, and strengthened efforts in energy saving and emission reduction in all the production enterprises. In the first half of 2008, the Group cooperated with the Norwegian company Yara for the establishment of Yara-Sinochem Environmental Protection Co., Ltd. (雅苒中化環保有限公司), which will develop an environment-friendly enterprise represented by DeNOx, aiming at reducing the NOx produced from coal combustion and helping to prevent ozone layer depletion and acid rain.

Distribution Network

In the first half of 2008, according to its planned development strategy, the Group took proactive actions to implement standardization of the distribution network so as to improve the quality of the network while vigorously developing distribution centers.

The Group continued to fulfill its strategic goal of setting up 2,000 distribution centers in 1,800 major Chinese agricultural counties, with 188 new distribution centers added in the first half of 2008, making the total number of distribution centers to 1,860 throughout the country. Now the Group's distribution network covers the major agricultural counties in 26 provinces, reaching about 91% of China's total farming land, therefore further sharpening the Group's competitive edge in distribution.

For the six months ended 30 June 2008, sales volume realized through the distribution network amounted to 6.9 million tons, up by 39% compared to the same period in 2007. The quality and efficiency of the distribution network were both improved. The Group's customer base was expanded, with the total number of customers at the township level rising by 1,500 to 29,500. All this has further consolidated the foundation for the distribution network to enhance its service capabilities and market share.

Internal Control and Management

The Group has always given top priority to the protection of shareholders' asset value, and considered the establishment of a sound, advanced and standardized internal control and management system as the foundation for the long term and healthy growth of the Company. In the first half of 2008, the Group further improved its internal control and risk management system, strengthened the Group's internal auditing work and maintained high vigilance on the work of risk management and environmental protection under the COSO Internal Control Framework, and ensured safety in production and operation.

Furthermore, during the first half of 2008, the Group also streamlined its internal control system for its distribution network, and consolidated the vertical management of inventory and cash flow. In addition, the Group actively implemented the standardization of the distribution network for to enhance operation safety.

During the same period, the Group also promoted lean management and applied the concept of lean management in the development as well as the daily operations and management of the Group so as to upgrade the Group's management and improve the Group's corporate governance level.

Corporate Social Responsibility

Following the principle of "Harmonious China, Safe Agriculture and Sinofert dedicating itself to Chinese Farmers", the Group considered supplying the farmers with various services as a long-term strategy. In the first half of 2008, 1,526 agrichemical service activities were carried out and 583 scientific fertilization pilot villages were built. In particular, the Group together with the Ministry of Agriculture, held 241 "workshops to guide the farmers for scientific fertilization", built 114 "model villages" to promote agrotechniques among the farmers, as well as took active measures against counterfeiting of agricultural inputs with the General Administration of Quality Supervision, Inspection and Quarantine.

In the first half of 2008, China suffered from a series of natural disasters including heavy snowstorms and the tremendous earthquake in Wenchuan. The Group played an active role in supporting the reconstruction efforts in the disaster stricken areas by conducting various public welfare activities such as donating fertilizers and money to the earthquake victims.

During the reporting period, the Group compiled and released its Corporate Social Responsibility Report, presenting the social responsibilities the Group undertakes for the government, suppliers, customers, the public and other stakeholders. This report is the first of its kind ever released in China's agricultural inputs industry.

Management Review and Prospect

Outlook

In the second half of 2008 or in an even longer period of time, it is expected that the Chinese government will continue to implement policies that benefit and enrich the farmers. Facing the pressure of tight grain supply and rising grain prices globally, the Chinese government will tend to adopt more favourable policies to boost agricultural growth and maintain the momentum of increasing grain yield as seen in the past few years so as to ensure the country's food security. This will help to create a positive macro-environment for the development of the fertilizer industry as well as the Group. Under the leadership of the Board, the Group will proactively respond to these opportunities and challenges, always be committed to maximize the shareholders' value and keep forging ahead in line with the strategy of "centering on marketing and distribution and expanding into both production and distribution." We will work harder to enlarge the production base, uplift the scale and quality of the distribution network, improve the strategic value of the logistics system and bring into full play the integrated business model of the Group. We will continue to improve the business operations and internal control, fulfill various business goals for the year, and create higher returns for our shareholders. Our aim is to develop the Group to become the leading service provider of agricultural inputs in China with a global presence.

Chronicle of Events

1. In January 2008, with the resolution passed at the special general meeting held on 28 December 2007, the Company successfully placed approximately 714 million new shares at a price of HK$7.0 per share to our two major shareholders, namely, Sinochem Hong Kong (Group) Company Limited and PCS (Barbados) Investment Company Limited. Upon completion of the share placement, Sinochem Hong Kong (Group) Company Limited and PCS (Barbados) Investment Company Limited held 52.40% and 19.58% equity interest in the Company, respectively.

2. In January 2008, the newly built 100,000-ton per annum phosphoric acid plant and 240,000-ton per annum ammonium phosphate plant went into production at Gansu Wengfu Chemical Co, Ltd., a jointly controlled entity of the Group.

3. In February 2008, the Group donated 100 tons of fertilizers to Macheng City of Hubei Province, which suffered heavily from protracted snowstorms, and helped the farmers there to restore agricultural production.

4. In February 2008, the Group donated RMB1.0 million to the Supply and Marketing Cooperative of the Guangxi Zhuang Autonomous Region to help the farmers there to restore production activities and ensure the supply of agricultural inputs in the region.

5. In March 2008, the Company released its 2007 Annual Results Announcement.

6. In March 2008, together with the General Administration of Quality Supervision, Inspection and Quarantine, the Group launched a nationwide campaign to promote "high-quality agricultural inputs" and fight against counterfeiting.

7. In April 2008, the Group entered into an acquisition agreement with Jilin Provincial State-owned Assets Supervision and Administration Commission to acquire Jilin Fertilizer & Pesticide Group Co., Ltd. at nil consideration.

8. In April 2008, the Chinese joint potash negotiation team, which consisted of the Group and other enterprises, concluded the 2008 potash contract negotiations with Belarusian Potash Company (BPC) and reached an agreement under which the Free-on-board (FOB) price would increase by US$400 per ton.

9. In April 2008, Xinhua News Agency, People's Daily, CCTV, China National Radio (CNR), China Chemical Industry News and other media organizations reported the efforts made by Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd. in energy saving and emission reduction.

10. In April 2008, Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd. won the bid for a state-level technological breakthrough project in phosphoric acid purification, which is categorized as a "National Science & Technology Supporting Program".

11. In May 2008, the Group together with the Ministry of Agriculture conducted "activities to guide scientific fertilization in 1,000 townships of 100 counties", which was widely reported by the Xinhua News Agency, People's Daily, CCTV, China National Radio (CNR), Farmers' Daily and other media organizations.

12. In May 2008, Mr. Du Keping, the Chief Executive Officer of the Company, headed a team to attend the 76th annual meeting of the International Fertilizer Industry Association (IFA) held in Vienna. During the meeting, Mr. Du and the team met with delegates of different international fertilizer suppliers and traders to discuss mutual cooperation.

13. In the wake of the massive 8.0-magnitude earthquake in Wenchuan County of Sichuan Province on 12 May 2008, the ultimate controlling shareholder of the Company, Sinochem Corporation, donated RMB47 million both in cash and in kind, the second largest shareholder, Potash Corporation of Saskatchewan Inc. (PCS), donated US$1.0 million to the earthquake stricken areas. The Group donated RMB1.5 million to Sichuan Yingfeng Industrial Company Limited, which was seriously damaged by the earthquake, helping them rebuild their homes and restore production.

14. In May 2008, the Group completed the certification of risk management and conducted comprehensive evaluations on the efficiency of the building of the culture of risk management, the supporting system of internal control and various systems, processes and regulations.

15. In June 2008, the Company convened the annual general meeting.

16. In June 2008, the Company released its 2007 Corporate Social Responsibility Report, which was the first such report compiled by the Group and also the first of its kind ever released in China's fertilizer industry.

17. In June 2008, the Group entered into an agreement with Pingyuan County Economic Development and Investment Corporation of Shandong Province on the restructuring of Shandong Deqilong Chemical Industry Co., Ltd. Upon completion of the acquisition, the Group holds 75% of its equity interest and renamed the company as Sinochem Pingyuan Chemical Co., Ltd.

18. In June 2008, the Group cooperated with the Norwegian company Yara for the establishment of Yara-Sinochem Environmental Protection Co., Ltd., which will develop an environment-friendly enterprise represented by DeNOx.

19. In June 2008, the Group approved after appraisal the 188 newly built distribution centers, bringing the total number of distribution centers to 1,860. The Group's distribution network covers the major agricultural counties in 26 provinces, reaching about 91% of China's total farming land.

20. In June 2008, the Group entered into a financing agreement with the CITIC Ka Wah Bank Limited, which marked the number of the Group's partnership banks reaching 24. By enlarging credit lines with existing partnership banks such as Bank of China, Bank of Tokyo-Mitsubishi and Rabobank International as well as other new partnership banks, the banking facilities of the Group increased to RMB13.5 billion, which was able to meet the Group's capital need for its fast growth.

Since its listing in July 2005, the Group had followed the previous practice and adopted Hong Kong dollar to be the presentation currency in its annual and interim reports. As part of the Group's financial management, the Group has performed regular review on the appropriateness of the presentation currency. Effective from 1 January 2008, the Group has changed its presentation currency for the preparation of its financial statements from Hong Kong dollar to Renminbi in light of the increase in application of Renminbi in terms of source of income, expenses and funding after considering the Group's on-going and future business strategy and the acquisitions of subsidiaries and an associate during the period.

During the first half of 2008 the Group acquired the equity interest held by the ultimate holding company in Sinochem Shandong Chemical Fertilizer Co., Ltd. As the transaction is regarded as a business combination involving entities under common control, according to Hong Kong accounting guideline the results of Sinochem Shandong Chemical Fertilizer Co., Ltd need to be consolidated into the Group's financial statements starting from March 2004 when Sinochem Corporation invested in Sinochem Shandong Chemical Fertilizer Co., Ltd. Accordingly, the comparative figures of the condensed consolidated financial statements of 2007 have been restated.

For the six months ended 30 June 2008, the Group achieved a total sales volume of 9.72 million tons and turnover of RMB22,316 million, representing an increase of 23.74% and 59.13%, respectively, over the same period of the previous year.

For the six months ended 30 June 2008, the Group's gross profit rose to RMB2,100 million, up by 64.92%; and the Group's net profit attributable to shareholders increased to RMB1,241 million, up by 135.90% over the same period of the previous year.

I. Business Scale

1. Sales volume

For the six months ended 30 June 2008, the Group's sales volume rose to 9.72 million, up by 23.74% over the same period of the previous year.

The 2008 annual potash contract negotiations were not concluded until April 2008, with the total contract supply quantity reduced by half compared with year 2007. The sales of imported potash was affected by such a situation. For the six months ended 30 June 2008, total sales volume of imported fertilizers of the Group was 2.25 million tons, representing a decrease of 29.45% over the same period of last year. The Group made great efforts to further optimize its sourcing system and expand its distribution network, bringing the sales volume of domestically produced fertilizers up by 65.30% to 7.13 million tons over the same period of last year.

A review of sales by product shows that the sales volume of potash fertilizers dropped by 28.07%, while that of nitrogen fertilizers, compound fertilizers and phosphate fertilizers rose by 73.78%, 30.85%, and 53.22%, respectively. The increases in sales volume of nitrogen, phosphate and compound fertilizers were mainly attributed to domestically produced fertilizers.

2. Turnover

For the six months ended 30 June 2008, turnover of the Group reached RMB22,316 million, increasing by RMB8,292 million or 59.13% over the same period of the previous year. Such an increase was much higher than the 23.74% growth in sales volume, which was mainly attributable to the rise of 28.60% of the average selling price over the same period of last year.

Set out below is the Group's turnover by product:

	For the six months ended 30 June 2008		For the six months ended 30 June 2007	
	Turnover RMB'000	**As percentage of total turnover**	Turnover RMB'000	As percentage of total turnover
Potash fertilizers	**5,501,847**	**24.66%**	5,832,028	41.59%
Nitrogen fertilizers	**6,866,288**	**30.77%**	3,298,233	23.52%
Compound fertilizers	**3,602,231**	**16.14%**	2,137,367	15.24%
Phosphate fertilizers	**4,912,422**	**22.01%**	2,360,791	16.83%
Others	**1,433,178**	**6.42%**	395,472	2.82%
Total	**22,315,966**	**100.00%**	14,023,891	100.00%

II. Profit

1. Gross profit and gross profit margin

For the six months ended 30 June 2008, the Group's gross profit reached RMB2,100 million, representing an increase of RMB827 million, or up by 64.92% over the same period of the previous year.

The Group adopted different strategies for different fertilizer products. The potash business maintained a stable profit margin as a result of constantly consolidating and expanding both international and domestic supply channels and customer resources. Under the general background of rising fertilizer prices at both the international and domestic markets and a brisk market situation, the synergy effects of the Group's strategy "centering on marketing and distribution and expanding into both production and distribution" were desirably achieved, uplifting the gross profit margins of nitrogen and compound fertilizers compared with the corresponding period of the previous year. However, due to increased export of prosphate fertilizers and rising cost of sulphur, phosphoric rock and other raw materials, the purchase cost for phosphate fertilizers rose remarkably. As a result, its gross profit margin fell, but the overall gross profit increased by 73.35%.

In general, for the six months ended 30 June 2008, gross profit margin of the Group was 9.41%, showing that the Group's profitability remained stable.

2. *Share of results of jointly controlled entities and an associate*

For the six months ended 30 June 2008, the share of results of jointly controlled entities and an associate of the Group was RMB100 million, which was RMB84 million more than that of RMB16 million for the same period of the previous year, or up by 511.24%. This was mainly attributable to greater profit contributions to the Group from phosphate and compound fertilizer investments as the booming fertilizer market boosted the profitability of these fertilizer production enterprises. Besides, compared to the same period last year, the Group has shared the results of the equity interest of Qinghai Salt Lake Potash Co., Ltd, Tianji Sinochem Gaoping Chemical Engineering Co., Ltd., Gansu Wengfu Chemical Co., Ltd. and Yunnan Three Circle-Sinochem Fertilizer Co., Ltd. in current period. In addition, there was a gain of RMB26 million for discount arising from the acquisition of Tianji-Sinochem Gaoping Chemical Engineering Co., Ltd.

The share of results of Qinghai Salt Lake Potash Co., Ltd comprised of the Group's share of its result from 17 March 2008 to 30 June 2008, and the adjustments in respect of the Group's share of difference over its fair value of identifiable assets determined as at 17 March 2008, the completion date of the acquisition. For more details, please refer to note 2 "Investments in associate" to the condensed consolided financial statements.

3. *Gain on disposal of available-for-sale investment*

For the six months ended 30 June 2008, the Group's gain on disposal of available-for-sale investment was RMB63 million, which was from the disposal of shares of Luxi Chemical Industry Co., Ltd. held by the Group.

4. *Discount on acquisition of a subsidiary recognized in profit and loss*

For the six months ended 30 June 2008, the Group's discount on acquisition of a subsidiary recognized in profit and loss was RMB28 million, which represented discount arising from the acquisition of a subsidiary, Sinochem Pingyuan Chemical Co., Ltd (formerly known as Shandong Deqilong Chemical Industry Co., Ltd.).

5. *Income tax expense*

For the six months ended 30 June 2008, income tax expense of the Group was RMB244 million, with taxation burden being 15.98%. Taxation burden of the Group was lower than that for the same period of the previous year, which was mainly attributable to that in 2008 the enterprise income tax rate in the PRC was lowered from 33% to 25% , and the profit tax rate in Hong Kong lowered from 17.5% to 16.5%.

The subsidiaries of the Group are 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 generated in Macao is exempted from profit tax, while the tax rate of Hong Kong is 16.5%. The Company pays taxes according to the prevailing local tax laws and regulations.

6. *Net profit and net profit margin*

For the six months ended 30 June 2008, the Group realized net profit attributable to shareholders of RMB1,241 million, representing an increase of RMB715 million, or 135.90%, over the same period of the previous year. This was mainly attributable to increase in sales volume. In addition, the Group's gross profit increased by RMB827 million, the increase in expenses remained stable during the reporting period, share of results of jointly controlled entities and an associate rose by RMB84 million year on year, the loss of change in fair value of the convertible loan notes decreased by RMB30 million over the same period of 2007, and taxation burden was lowered compared with the same period of last year.

For the six months ended 30 June 2008, the Group's net profit margin reached 5.56%, higher than that of 3.75% for the same period of 2007, and showing a steadily rising profit margin.

III. Expenditures

1. *Selling and distribution expenses*

For the six months ended 30 June 2008, selling and distribution expenses were RMB368 million, which was 42.83% more than that of RMB258 million for the same period of 2007. This was mainly caused by the increase in sales volume, which in turn proportionally increased logistical expenses in transportation and warehousing.

2. *Administrative expenses*

For the six months ended 30 June 2008, administrative expenses were RMB229 million, rising by 36.72% over that of RMB168 million for the same period of 2007. Among this, the fees paid to intermediaries and stamp duties incurred in the acquisition of equity interest in the three fertilizer enterprises, including Qinghai Salt Lake Potash Co., Ltd., held by the ultimate holding company was RMB27 million and RMB22 million, respectively. Excluding the effect of the above fees and stamp duties, administrative expenses would have been RMB180 million, which increased by 7.65% over the same period of 2007, and was mainly attributable to the expansion of the distribution network.

3. *Finance costs*

For the six months ended 30 June 2008, finance costs were RMB89 million, decreasing by 30.55%, or RMB39 million from that of RMB128 million for the same period in 2007. The major reason was that the Group fully utilized its advantage in integrated financial management for its operations both locally and abroad and reduced its financing cost by readjusting its financing strategies in a timely manner to take advantage of the appreciation of RMB and the lower US dollar interest rates in the first half of 2008. In addition, the interest payout on convertible loan notes reduced by RMB19 million compared with that for the same period of the previous year.

IV. Cash Flow

Cash flow of the Group for the six months ended 30 June 2008 was a net inflow of RMB295 million, which included:

1. Cash inflow of RMB2,410 million from business operations, including RMB1,525 million of profit in cash, cash inflow of RMB2,304 million from reduced receivables from business operations, and a cash outflow of RMB1,464 million from increased inventories and payables from business operations;

2. Cash outflow of RMB5,744 million from investment activities, including RMB290 million spent on the purchase of properties, plant and equipment, RMB612 million net cash outflow for the equity interest of Sinochem Pingyuan Chemical Co., Ltd (formerly known as Shandong Deqilong Chemical Industry Co., Ltd.), and RMB4,903 million paid for the acquisition of the three fertilizer enterprises held by the ultimate holding company; and

3. Cash inflow of RMB3,629 million from financing activities, which was mainly attributable to proceeds of RMB4,660 million in cash from share placement made in the first half of 2008, net payment of bank loans amounting to RMB790 million, and dividend payout of RMB170 million.

V. Inventory Turnover

The inventory balance of the Group as at 30 June 2008 was RMB8,169 million, which increased by RMB1,464 million, or 21.83% over that of RMB6,705 million as at 31 December 2007. Due to faster sales turnover, inventories turnover days *(Note)* decreased from 78 days in 2007 to 66 days in the first half of 2008, thus assets operating efficiency was further improved.

Note: Inventory turnover day for the six months ended 30 June 2008 was calculated on the basis of average inventory balance as at the end of the reporting period divided by cost of goods sold, and multiplied by 180 days.

Inventory turnover day in 2007 was calculated on the basis of average inventory balance as at the end of the reporting period divided by cost of goods sold, and multiplied by 360 days.

VI. Trade and Bills Receivables Turnover

The balance of the Group's trade and bills receivables (excluding bills discounted to bank) as at 30 June 2008 was RMB1,226 million. This was basically unchanged from that as at 31 December 2007.

With the increase of sales volume, trade and bills receivables turnover day *(Note)* decreased from 15 days in 2007 to 9 days in the first half of 2008.

Note: The figure for the six months ended 30 June 2008 was calculated on the basis of average trade and bills receivables balance as at the end of the reporting period divided by turnover, and multiplied by 180 days.

The figure for 2007 was calculated on the basis of average trade and bills receivables balance as at the end of the reporting period divided by turnover, and multiplied by 360 days.

VII. Property, Plant and Equipment

As at 30 June 2008 the balance of the Group's property, plant and equipment was RMB3,683 million, increasing by RMB2,458 million, or 200.68% over that of RMB1,225 million as at 31 December 2007. This was mainly attributable to the acquisition of equity interest in Sinochem Pingyuan Chemical Co., Ltd. (formerly known as "Shandong Deqilong Chemical Industry Co., Ltd"), which contributed to an increase of RMB2,247 million in fixed assets.

VIII. Interests in Jointly Controlled Entities

As at 30 June 2008, the balance of the Group's interests in jointly controlled entities was RMB878 million, increasing by 51.78% over that of RMB578 million as at 31 December 2007. This was mainly attributable to:

1. An increase of RMB235 million for the acquisition of equity interest in Tianji Sinochem Gaoping Chemical Co., Ltd including a gain of RMB26 million from discount on acquisition of a subsidiary; and

2. An increase of RMB65 million return on investment resulting from the application of equity method of accounting.

IX. Interests in An Associate

As at 30 June 2008, the balance of the Group's interests in an associate was RMB6,959 million, which comprised of RMB6,749 million paid for the acquisition of 18.49% equity interest in Qinghai Salt Lake Potash Co., Ltd, and the positive fair value adjustments of RMB210 million to the consideration determined as at the date of completion of the acquisition.

X. Available-for-sale Investments

As at 30 June 2008, the balance of the Group's available-for-sale investment was RMB929 million, decreasing by RMB248 million, or 21.12% from that of RMB1,178 million as at 31 December 2007. This was mainly attributable to the increase of RMB27 million in the Group's investment in 青海鹽湖工業集團股份有限公司, the decrease of RMB26 million from the selling of shares of Luxi Chemical Industry Co., Ltd., and the decrease in fair value of RMB249 million in respect to the investments held in Hualu Hengsheng Chemical Co., Ltd., Luxi Chemical Industry Co., Ltd. and China XLX Fertiliser Ltd.

XI. Prepayments and Other Receivables

As at 30 June 2008, the balance of prepayments and other receivables of the Group was RMB2,729 million, increased by RMB927 million, or 51.43% over that of RMB1,802 million as at 31 December 2007. This was mainly attributable to the expansion of operating scale and the increased in prepayment on purchase of goods which had not been delivered as at 30 June 2008.

XII. Trade and Bills Payables

As at 30 June 2008, the balance of the Group's trade and bills payables was RMB3,645 million, increased by RMB1,570 million, or 75.66% over that of RMB2,075 million as at 31 December 2007. This was mainly caused by the expansion of operating scale and increased purchase volume.

XIII. Receipts in Advance and Other Payables

As at 30 June 2008, the balance of receipts in advance and other payables of the Group was RMB3,941 million, which showed an increase of RMB2,152 million, or 120.30% over that of RMB1,789 million as at 31 December 2007. This was mainly attributable to the increase of prepayments by the customers.

XIV. Convertible Loan Notes

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

During the six months period ended 30 June 2008, the notes with total face value of HK$287 million was exercised, including those with face value of HK$278 million converted into 74,371,652 ordinary shares of the Company at a conversion price of HK$3.74 per share. As at 30 June 2008, the total face value of outstanding convertible loan notes was HK$622 million. According to related accounting standards, the Company shall make an independent assessment on fair value of the outstanding convertible loan notes. The loss arising from change in fair value of derivative component of the convertible loan notes and the amortized finance cost to the convertible loan notes was RMB48 million and RMB21 million, respectively, which were recognized in condensed consolidated income statement for this reporting period.

XV. Other Financial Indicators

Earnings per share (EPS) for the six months ended 30 June 2008 was RMB0.1783, up by 96.80% over that for the same period of the previous year. Return on equity (ROE) for the six months ended 30 June 2008 was 9.15%, increasing by 4.89 percentage points over that for the same period of the previous year. This was mainly attributable to an increase of 135.90% in net profit.

	For the six months ended 30 June 2008	For the six months ended 30 June 2007 *(Note 3)*
Profitability		
EPS *(RMB)* *(Note 1)*	**0.1783**	0.0906
ROE *(Note 2)*	**9.15%**	4.26%

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

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

Note 3: The figure for the six months ended 30 June 2007 was calculated on the basis of dividing the ROE for the 12 months ended 31 December 2007 by two.

As at 30 June 2008, the Group's current ratio was 1.24, and the debt-to-equity ratio was 30.30%. Both the long-term solvency and short-term solvency remained at a stable and healthy level.

	As at 30 June 2008	As at 31 December 2007
Solvency		
Current ratio (Note 1)	**1.24**	1.46
Debt-to-Equity ratio (Note 2)	**30.30%**	37.67%

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

Note 2: Calculated on the basis of interest-bearing debt divided by total equity as at the reporting date.

XVI. Liquidity and Financial Resources

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

As at 30 June 2008, cash and cash equivalents of the Group amounted to RMB412 million, which was mainly denominated in RMB and US dollar.

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

	As at 30 June 2008 RMB'000	As at 31 December 2007 RMB'000
Secured	**321,250**	228,000
Guaranteed	**2,972,652**	20,530
Unsecured	**410,000**	1,831,335
Total	**3,703,902**	2,079,865
Within 1 year	**2,615,735**	1,362,366
In the 2nd to the 5th year	**382,000**	637,500
Over 5 years	**706,167**	79,999
Total	**3,703,902**	2,079,865

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

As at 30 June 2008, the Group had banking facilities totaling RMB13,456 million, including US$755 million and RMB8,277 million. The amount of utilized banking facilities was RMB6,366 million (including US$524 million and RMB2,770 million), and the amount of unutilized banking facilities was RMB7,089 million (including US$231 million and RMB5,507 million).

XVII. Business and Financial Risks

The Group's major operation risks include: uncertainties of the upcoming controlling measures despite the announced Chinese government's policies on the fertilizer industry; uncertainties of its impact on the fertilizer industry; price fluctuations of the fertilizer market; as well as uncertainties caused by government influence as shown in the potash contract negotiations.

The Group's exposure to financial risks includes market risk, credit risk and liquidity risk.

Market risk

The Group's exposure to market risk includes currency risk, interest rate risk and other price risk. Currency risk refers to the risk that movement in foreign currency exchange rate that affect the Group's financial results and its cash flow. Interest rate risk refers to the Group's exposure to interest rate risk in relation to fair value of fixed-rate borrowings. Other price risk refers to the Group's exposure to price risk through its investments in equity securities and its derivative financial liabilities.

The management continuously observes and monitors the Group's exposure to these risks to minimize potential negative effects on the Group's results.

Credit risk

The Group's greatest exposure to credit risk is the ability of the counterparties to fulfill their obligations in relation to their carrying amount of each of recognized financial assets in the consolidated balance sheet as at 30 June 2008. The Group has sufficient credit control for determing credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts in a timely manner. Therefore, the Group's exposure to credit risk is significantly reduced.

Liquidity risk

In managing liquidity risk, the management considers that the Group monitors and maintains a level of cash and cash equivalents which are adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management also monitors the utilization of bank borrowings.

XVIII. Contingent Liabilities

As at 30 June 2008, the Group provided guarantee for a bank loan of RMB30 million to Hubei Sinochem & Orient Fertilizer Co., Ltd, and for a bank loan of RMB288 million to Yunnan Three-Circle Sinochem Fertilizer Co., Ltd, both being jointly controlled entities.

XIX. Capital Commitment

Capital commitment of the Group is analysed as below:

	As at 30 June 2008 RMB'000	As at 31 December 2007 RMB'000
Projects under construction		
Contracted but not provided for	**230,843**	473,000
Authorized but not contracted	**7,013**	443,191
Sub-total	**237,856**	916,191
Acquisition of Qinghai Salt Lake Potash Co., Ltd., Sinochem Shandong Chemical Fertilizer Co., Ltd and Tianji Sinochem Gaoping Chemical Engineering Co., Ltd	**–**	4,903,079
Investment in Jilin Fertilizer & Pesticide Group Co., Ltd	**149,770**	–
Investment in Yara-Sinochem Environmental Protection Co., Ltd.	**4,000**	–
Sub-total	**153,770**	4,903,079
Total	**391,626**	5,819,270

Except for the capital commitment mentioned above, the Group has no present plan for material investments or capital assets.

XX. Major Investments

As at 30 June 2008, the Group's major investments included the following: RMB4,903 million used for acquisitions of share interests in Qinghai Salt Lake Potash Co., Ltd, Sinochem Shandong Chemical Fertilizer Co., Ltd and Tianji Sinochem Gaoping Chemical Engineering Co Ltd; RMB695 million used for acquisitions of share interests in Sinochem Pingyuan Chemical Co., Ltd (formerly known as Shandong Deqilong Chemical Industry Co., Ltd.); and RMB275 million used for projects under construction at Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd.

XXI. Employees and Compensation 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 to 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 Group reviews its remuneration policy annually and engages professional intermediary, 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 2008, the Group had about 10,300 full-time employees (including those employed by controlled entities), the remuneration of whom are 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 2008, the Group provided training for approximately 4,869 employees with approximately 42,212 training hours in aggregate. The training courses covered areas such as lean management, operation and management of enterprise, legal and regulations, marketing management, finance, logistics, information technology, quality control and production safety. These trainings further improve the management skills and professional standard of the management team of the Group and enhance the overall quality of the employees to cater for the Group's rapid developments; hence, improves the overall 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 47, which comprises the condensed consolidated balance sheet of Sinofert Holdings Limited as of 30 June 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 August 2008

Condensed Consolidated Income Statement

For the six months ended 30 June 2008

	Notes	**Six months ended 30 June 2008 RMB'000 (unaudited)**	Six months ended 30 June 2007 RMB'000 (restated)
Revenue	3	**22,315,966**	14,023,891
Cost of sales		**(20,216,221)**	(12,750,706)
Gross profit		**2,099,745**	1,273,185
Other income		**64,030**	34,904
Selling and distribution expenses		**(368,288)**	(257,853)
Administrative expenses		**(229,421)**	(167,801)
Other expenses		**(103,846)**	(5,798)
Gain on settlement of convertible loan notes		**2,470**	–
Gain on disposal of available-for-sale investments		**62,593**	–
Interest income from placements with bank		**5,482**	–
Changes in fair value of derivative financial instruments		**(48,028)**	(78,078)
Finance costs	4	**(88,830)**	(127,899)
Share of results of jointly controlled entities		**91,012**	16,495
Share of result of an associate		**9,812**	–
Discount on acquisition of a subsidiary	18	**28,016**	–
Profit before taxation	5	**1,524,747**	687,155
Income tax expense	6	**(243,579)**	(151,431)
Profit for the period		**1,281,168**	535,724
Attributable to:			
– equity holders of the Company		**1,240,729**	525,955
– minority interests		**40,439**	9,769
		1,281,168	535,724
Dividends	7	**169,987**	132,330
Earnings per share	8		
Basic (RMB)		**0.1783**	0.0906
Diluted (RMB)		**0.1779**	0.0903

Condensed Consolidated Balance Sheet

At 30 June 2008

	Notes	As at 30 June 2008 RMB'000 (unaudited)	As at 31 December 2007 RMB'000 (restated)
Non-current assets			
Property, plant and equipment	9	**3,683,133**	1,224,928
Investment properties	9	**14,600**	14,600
Prepaid lease payments		**137,695**	130,492
Mining rights		**23,759**	23,759
Goodwill		**358,179**	358,179
Interests in jointly controlled entities		**877,520**	578,168
Interest in an associate	10	**6,959,002**	–
Available-for-sale investments		**929,205**	1,177,962
Deferred tax assets		**13,158**	11,721
Advance payment to ultimate holding company		**–**	2,099,753
Advance payment for acquisition of property, plant and equipment		**151,614**	133,468
		13,147,865	5,753,030
Current assets			
Inventories		**8,169,270**	6,705,370
Trade and bills receivables	11	**1,226,187**	3,248,090
Prepaid lease payments		**4,128**	2,831
Advance payments and other receivables		**2,728,741**	1,801,956
Amount due from ultimate holding company	12	**–**	7,589
Placements with bank	13	**1,361,000**	–
Pledged bank deposits		**15,144**	7,487
Bank balances and cash		**411,643**	115,311
		13,916,113	11,888,634
Current liabilities			
Trade and bills payables	14	**3,645,174**	2,075,189
Receipts in advance and other payables		**3,941,212**	1,789,019
Amount due to ultimate holding company	12	**125,398**	–
Derivative financial liabilities		**406,760**	615,549
Taxation payable		**239,246**	147,961
Bank borrowings – due within one year		**2,826,416**	3,493,406
		11,184,206	8,121,124
Net current assets		**2,731,907**	3,767,510
Total assets less current liabilities		**15,879,772**	9,520,540

Condensed Consolidated Balance Sheet

At 30 June 2008

	Note	**As at 30 June 2008 RMB'000 (unaudited)**	As at 31 December 2007 RMB'000 (restated)
Non-current liabilities			
Bank borrowings – due after one year		**1,088,167**	692,500
Convertible loan notes		**566,569**	853,603
Deferred tax liabilities		**124,479**	178,507
Deferred income		**8,798**	8,798
		1,788,013	1,733,408
Net assets		**14,091,759**	7,787,132
Capital and reserves			
Issued equity	*15*	**8,230,758**	3,078,496
Reserves		**5,324,615**	4,453,696
Equity attributable to equity holders of the Company		**13,555,373**	7,532,192
Minority interests		**536,386**	254,940
Total equity		**14,091,759**	7,787,132

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Attributable to the equity holders of the Company										
	Issued equity RMB'000	**Merger reserve** RMB'000	**Capital reserve** RMB'000	**Statutory reserve** RMB'000	**Investment revaluation reserve** RMB'000	**Share option reserve** RMB'000	**Translation reserve** RMB'000	**Retained profits** RMB'000	**Total** RMB'000	**Minority interests** RMB'000	**Total** RMB'000
At 1 January 2007 (restated and details set out in note 1b)	816,982	255,531	281,115	315,807	26,997	5,555	(70,033)	2,736,843	4,368,797	196,538	4,565,335
Effect of business combination under common control *(note 1a)*	–	–	51,000	–	–	–	–	(18,202)	32,798	37,527	70,325
At 1 January 2007 (restated)	816,982	255,531	332,115	315,807	26,997	5,555	(70,033)	2,718,641	4,401,595	234,065	4,635,660
Change in fair value of available-for-sale investments	–	–	–	–	355,471	–	–	–	355,471	–	355,471
Deferred taxation liability arising on fair value changes of available-for-sale investments	–	–	–	–	(79,441)	–	–	–	(79,441)	–	(79,441)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	(26,540)	–	(26,540)	(8)	(26,548)
Net income (loss) recognised directly in equity	–	–	–	–	276,030	–	(26,540)	–	249,490	(8)	249,482
Profit for the period	–	–	–	–	–	–	–	525,955	525,955	9,769	535,724
Total income (loss) recognised for the period	–	–	–	–	276,030	–	(26,540)	525,955	775,445	9,761	785,206
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	741	741
Recognition of equity-settled share-based payments	–	–	–	–	–	2,822	–	–	2,822	–	2,822
Dividends declared	–	–	–	–	–	–	–	(132,330)	(132,330)	–	(132,330)
Share issued upon conversion of convertible loan notes	6,285	–	–	–	–	–	–	–	6,285	–	6,285
At 30 June 2007	823,267	255,531	332,115	315,807	303,027	8,377	(96,573)	3,112,266	5,053,817	244,567	5,298,384
Change in fair value of available-for-sale investments	–	–	–	–	375,041	–	–	–	375,041	–	375,041
Deferred taxation liability arising on fair value changes of available-for-sale investments	–	–	–	–	(92,191)	–	–	–	(92,191)	–	(92,191)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	(178,588)	–	(178,588)	2	(178,586)
Net income (loss) recognised directly in equity	–	–	–	–	282,850	–	(178,588)	–	104,262	2	104,264
Profit for the period	–	–	–	–	–	–	–	115,187	115,187	10,983	126,170
Total income (loss) recognised for the period	–	–	–	–	282,850	–	(178,588)	115,187	219,449	10,985	230,434
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	20	20
Recognition of equity-settled share-based payments	–	–	–	–	–	3,697	–	–	3,697	(632)	3,065
Transfer	–	–	–	68,264	–	–	(1,785)	(66,479)	–	–	–
Transaction costs attributable to issue of shares	(36,763)	–	–	–	–	–	–	–	(36,763)	–	(36,763)
Placement of new shares	2,284,881	–	–	–	–	–	–	–	2,284,881	–	2,284,881
Share issued upon conversion of convertible loan notes	7,111	–	–	–	–	–	–	–	7,111	–	7,111
At 31 December 2007	3,078,496	255,531	332,115	384,071	585,877	12,074	(276,946)	3,160,974	7,532,192	254,940	7,787,132
Change in fair value of available-for-sale investments	–	–	–	–	(213,074)	–	–	–	(213,074)	–	(213,074)
Disposal of available-for-sale investments	–	–	–	–	(46,945)	–	–	–	(46,945)	–	(46,945)
Deferred taxation liability reversed on fair value changes of available-for-sale investments	–	–	–	–	51,956	–	–	–	51,956	–	51,956
Effect of changes in tax rate	–	–	–	–	1,088	–	–	–	1,088	–	1,088
Exchange difference arising on translation to presentation currency	–	–	–	–	–	–	(145,985)	–	(145,985)	1	(145,984)
Net income (loss) recognised directly in equity	–	–	–	–	(206,975)	–	(145,985)	–	(352,960)	1	(352,959)
Profit for the period	–	–	–	–	–	–	–	1,240,729	1,240,729	40,439	1,281,168
Total income (loss) recognised for the period	–	–	–	–	(206,975)	–	(145,985)	1,240,729	887,769	40,440	928,209
Effect of business combination under common control	–	–	(56,384)	–	–	–	–	–	(56,384)	–	(56,384)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	241,006	241,006
Deemed contribution from ultimate holding company *(note 10)*	–	–	210,000	–	–	–	–	–	210,000	–	210,000
Exercise of share options	12,075	–	–	–	–	(2,548)	–	–	9,527	–	9,527
Recognition of equity-settled share-based payments	–	–	–	–	–	2,069	–	–	2,069	–	2,069
Forfeiture of share options	–	–	–	–	–	(384)	–	384	–	–	–
Dividends paid	–	–	–	–	–	–	–	(169,987)	(169,987)	–	(169,987)
Placement of new shares	4,660,200	–	–	–	–	–	–	–	4,660,200	–	4,660,200
Share issued upon conversion of convertible loan notes	479,987	–	–	–	–	–	–	–	479,987	–	479,987
At 30 June 2008	8,230,758	255,531	485,731	384,071	378,902	11,211	(422,931)	4,232,100	13,555,373	536,386	14,091,759

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	Six months ended 30 June 2008 RMB'000 (unaudited)	Six months ended 30 June 2007 RMB'000 (restated)
Net cash from (used in) operating activities	**2,409,925**	(396,233)
Net cash used in investing activities		
Purchase of property, plant and equipment	**(289,544)**	(97,473)
Additional investment in available-for-sale investments	**(27,460)**	(187,782)
Acquisition of a jointly controlled entity	**(146,179)**	–
Acquisition of a subsidiary	**(612,192)**	–
Acquisition of an associate	**(4,717,433)**	–
Proceeds from disposal of available-for-sale investments	**88,749**	–
Other investing cash flows	**(39,590)**	34,635
	(5,743,649)	(250,620)
Net cash from financing activities		
Additional borrowings	**8,040,864**	3,462,776
Repayment of borrowings	**(8,830,854)**	(2,675,757)
Dividend paid	**(169,987)**	–
Interest paid	**(67,429)**	(87,330)
New share issued	**4,660,200**	–
Other financing cash flows	**(3,901)**	741
	3,628,893	700,430
Net increase in cash and cash equivalents	**295,169**	53,577
Cash and cash equivalents at the beginning of the period	**115,311**	88,882
Effect of foreign exchange rate changes	**1,163**	440
Cash and cash equivalents at the end of the period, comprising bank balances and cash	**411,643**	142,899

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 ("HKAS 34"), Interim Financial Reporting.

(a) Business combination under common control

On 20 February 2008, Sinochem Fertilizer Company Limited, a company incorporated in the People's Republic of China ("PRC"), is an indirect wholly-owned subsidiary of the Company, has completed its acquisition of 51% equity interest in Sinochem Shandong Chemical Fertilizer Company Limited ("Sinochem Shandong"), a limited liability company established in the PRC from Sinochem Corporation ("Sinochem Corporation"), the ultimate holding company of the Company at a cash consideration of RMB56 million.

The transfer of the controlling interests in Sinochem Shandong as mentioned above is regarded as a business combination involving entities or businesses under common control. Accordingly, the transaction is accounted for using the principles of Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), as if the transfer of the controlling interests in Sinochem Shandong has been completed as at 1 January 2007. Accordingly, the comparative figures of the consolidated financial statements have been restated.

(b) Change in presentation currency

As part of the Group's financial management, the Group has performed regular review on the appropriateness of the presentation currency. Effective from 1 January 2008, the Group has changed its presentation currency for the preparation of its financial statements from Hong Kong dollars ("HK$") to Renminbi ("RMB") in light of the increase in application of RMB in terms of source of income, expenses and funding after considering the Group's on-going and future business strategy and the acquisitions of subsidiaries and an associate during the period. The comparative figures in these financial statements are translated from HK$ to RMB using the closing rates at the relevant balance sheet date for balance sheet items and average rates for the period under review for income statement.

1. Basis of Preparation (Cont'd)

The effects of the combination of Sinochem Shandong and the change in presentation currency on the result of the Group for the period ended 30 June 2007 and the financial position of the Group at 31 December 2007 are summarized below:

	For the six months ended 30 June 2007 (Previously stated) HK$'000	Effect of change of presentation currency RMB'000	Combination of Sinochem Shandong RMB'000	Combination & elimination adjustments RMB'000	For the six months ended 30 June 2007 (Restated) RMB'000
Revenue	14,342,060	(199,354)	321,053	(439,868)	14,023,891
Cost of sales	(13,076,611)	181,764	(301,989)	446,130	(12,750,706)
Gross profit	1,265,449	(17,590)	19,064	6,262	1,273,185
Other income	35,406	(493)	5	(14)	34,904
Selling and distribution expenses	(254,027)	3,531	(7,357)	–	(257,853)
Administrative expenses	(162,391)	3,279	(8,703)	14	(167,801)
Other expenses	(4,844)	(954)	–	–	(5,798)
Changes in fair value of derivative financial instruments	(79,179)	1,101	–	–	(78,078)
Finance costs	(121,469)	1,689	(8,119)	–	(127,899)
Share of results of jointly controlled entities	16,728	(233)	–	–	16,495
Profit before taxation	695,673	(9,670)	(5,110)	6,262	687,155
Income tax expense	(152,211)	2,116	(1,336)	–	(151,431)
Profit for the period	543,462	(7,554)	(6,446)	6,262	535,724
Attributable to:					
– equity holders of the Company	530,353	(7,373)	(3,287)	6,262	525,955
– minority interests	13,109	(181)	(3,159)	–	9,769
	543,462	(7,554)	(6,446)	6,262	535,724

1. Basis of Preparation (Cont'd)

	At 31 December 2007 (Previously stated) HK$'000	Effect of change of presentation currency RMB'000	Combination of Sinochem Shandong RMB'000	Combination & elimination adjustments RMB'000	At 31 December 2007 (Restated) RMB'000
Non-current assets	5,857,030	(348,955)	241,775	3,180	5,753,030
Current assets					
Inventories	6,943,248	(441,593)	216,436	(12,721)	6,705,370
Trade and bills receivables	3,472,060	(220,826)	1,072	(4,216)	3,248,090
Prepaid lease payments	2,362	(152)	621	–	2,831
Advance payments and other receivables	1,902,221	(120,176)	61,654	(41,743)	1,801,956
Amount due from ultimate holding company	8,104	(515)	–	–	7,589
Pledged bank deposits	7,996	(509)	–	–	7,487
Bank balances & cash	114,012	(7,251)	8,550	–	115,311
	12,450,003	(791,022)	288,333	(58,680)	11,888,634
Current liabilities					
Trade and bills payables	2,117,647	(134,683)	96,441	(4,216)	2,075,189
Receipts in advance and other payables	1,881,728	(119,678)	68,712	(41,743)	1,789,019
Derivative financial liabilities	657,357	(41,808)	–	–	615,549
Taxation payable	152,651	(9,709)	5,019	–	147,961
Bank borrowings – due within one year	3,559,811	(226,405)	160,000	–	3,493,406
	8,369,194	(532,283)	330,172	(45,959)	8,121,124
Net current assets	4,080,809	(258,739)	(41,839)	(12,721)	3,767,510
Non-current liabilities	1,717,651	(109,243)	125,000	–	1,733,408
Net assets	8,220,188	(498,451)	74,936	(9,541)	7,787,132
Total equity	8,220,188	(498,451)	74,936	(9,541)	7,787,132

1. Basis of Preparation (Cont'd)

The effects of the combination of Sinochem Shandong and the change in presentation currency on the Group's equity at 1 January 2007 are summarized below:

	At 1 January 2007 (Previously stated)	Effect of change of presentation currency	Combination of Sinochem Shandong	At 1 January 2007 (Restated)
	HK$'000	RMB'000	RMB'000	RMB'000
Issued equity	767,766	49,216	–	816,982
Merger reserve	245,632	9,899	–	255,531
Capital reserve	270,225	10,890	51,000	332,115
Statutory reserve	303,948	11,859	–	315,807
Investment revaluation reserve	26,871	126	–	26,997
Share option reserve	5,421	134	–	5,555
Translation reserve	88,684	(158,717)	–	(70,033)
Retained profits	2,639,805	97,038	(18,202)	2,718,641
Minority interests	195,619	919	37,527	234,065
	4,543,971	21,364	70,325	4,635,660

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007 except for the accounting policies for investment in associates and business combination under common control illustrated below, which are applied for the first time in current interim period.

Investments in associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

2. Principal Accounting Policies (Cont'd)

Investments in associate (Cont'd)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Business combinations

Common control combinations

Business combinations under common control are accounted for in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations". In applying merger accounting, the consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the common control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

In addition, in the current interim period, the Group has applied, for the first time, certain new interpretations ("new interpretations") issued by the HKIPCA, which are effective for the Group's financial year beginning 1 January 2008.

The adoption of Hong Kong Financial Reporting Standards ("HKFRS") 3 (revised) ("HKFRS 3 (revised)") may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transaction.

3. Segment Information

The Group's primary format for reporting segment information is business segments.

For management purposes, the Group is currently organised into two main operating business:

Sourcing and distribution	– sourcing and distribution of fertilizers and agricultural related products
Production	– production and sales of fertilizers

Business segments

	Six months ended 30 June 2008			
	Sourcing and distribution RMB'000	Production RMB'000	Elimination RMB'000	Total RMB'000
Revenue				
External revenue	20,481,742	1,834,224	–	22,315,966
Inter-segment revenue	3,929,547	1,434,407	(5,363,954)	–
	24,411,289	3,268,631	(5,363,954)	22,315,966
Segment result	1,303,521	132,307	–	1,435,828
Unallocated corporate expenses				(17,841)
Unallocated corporate income				99,665
Interest income	12,083	560		12,643
Interest expenses on bank borrowings	(27,885)	(39,544)		(67,429)
Interest expense on convertible loan notes				(21,401)
Changes in fair value of derivative financial instruments				(48,028)
Gain on settlement of convertible loan notes				2,470
Share of results of jointly controlled entities		91,012		91,012
Share of result of an associate		9,812		9,812
Discount on acquisition of a subsidiary		28,016		28,016
Profit before taxation				1,524,747
Income tax expense				(243,579)
Profit for the period				1,281,168

3. Segment Information (Cont'd)

Business segments (Cont'd)

	Six months ended 30 June 2007 (restated)			
	Sourcing and distribution RMB'000	Production RMB'000	Elimination RMB'000	Total RMB'000
Revenue				
External revenue	12,934,281	1,089,610	–	14,023,891
Inter-segment revenue	184,178	606,776	(790,954)	–
	13,118,459	1,696,386	(790,954)	14,023,891
Segment result	826,749	60,163	–	886,912
Unallocated corporate expenses				(12,965)
Interest income	2,265	425		2,690
Interest expenses on bank borrowings	(52,187)	(35,144)		(87,331)
Interest expense on convertible loan notes				(40,568)
Changes of fair value on derivative financial instruments				(78,078)
Share of results of jointly controlled entities		16,495		16,495
Profit before taxation				687,155
Income tax expense				(151,431)
Profit for the period				535,724

4. Finance Costs

	Six months ended 30 June 2008 RMB'000	Six months ended 30 June 2007 RMB'000 (restated)
Interest on bank borrowings		
– wholly repayable within five years	**(64,297)**	(86,015)
– not wholly repayable within five years	**(3,132)**	(1,316)
Interest on convertible loan notes	**(21,401)**	(40,568)
	(88,830)	(127,899)

5. Profit Before Taxation

	Six months ended 30 June 2008 RMB'000	Six months ended 30 June 2007 RMB'000 (restated)
Profit before taxation has been arrived at after charging:		
Allowance for inventories	**–**	32,211
Amortisation of prepaid lease payments	**1,691**	1,591
Depreciation of property, plant and equipment	**49,423**	51,268

6. Income Tax Expense

	Six months ended 30 June 2008 RMB'000	Six months ended 30 June 2007 RMB'000 (restated)
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	**(26,863)**	(6,254)
PRC Enterprise Income Tax	**(218,153)**	(165,055)
	(245,016)	(171,309)
Deferred tax		
Attributable to change in tax rate	**–**	(1,266)
Current period	**1,437**	21,144
	(243,579)	(151,431)

Hong Kong Profits Tax is calculated at 16.5% (2007:17.5%) on the estimated assessable profit for the period.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the proposed reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009.

PRC Enterprise Income Tax is calculated at 25% (2007: 33%) on the estimated profit for the period.

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

No provision for income tax has been made for certain subsidiaries of the Company in jurisdiction other than Hong Kong and the PRC as those subsidiaries have profit exempted from tax for the period.

Certain subsidiaries of the Company were exempted from the PRC Enterprise Income Tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. The tax benefit will expire in 2010.

7. Dividends

No interim dividend for the six months ended 30 June 2008 (2007: nil) has been declared.

During the period ended 30 June 2008, the final dividend for 2007 of approximately RMB169,987,000 (2006: RMB132,330,000) at HKD0.0276 (approximate to RMB0.0243) per share (2006: HKD0.0231 (approximate to RMB0.0228)) has been paid.

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 2008 RMB'000	Six months ended 30 June 2007 RMB'000 (restated)
Earnings for the purpose of basic and diluted earnings per share	**1,240,729**	525,955
	'000 shares	'000 shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	**6,960,043**	5,808,127
Effect of dilutive potential ordinary shares from share options	**15,773**	16,093
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**6,975,816**	5,824,220

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible loan notes as these notes were anti-dilutive.

9. Property, Plant and Equipment and Investment Properties

During the period, the Group spent approximately RMB290 million (2007: RMB97 million) on the acquisition of property, plant and equipment. Besides, the Group acquired property, plant & equipment of approximately RMB2,247 million through the acquisition of Sinochem Pingyuan Chemical Co., Ltd.

In the opinion of the directors, the fair value of the Group's investment properties approximates to the carrying amount as at the balance sheet date.

10. Interest in An Associate

During the period, the Group completed its acquisition of 18.49% equity interest in Qinghai Salt Lake Potash Co., Ltd. ("Qinghai Salt Lake"), a joint stock limited liability company whose shares are listed on the Shenzhen Stock Exchange, at a total cash consideration of RMB6,739 million from Sinochem Corporation.

In the opinion of the directors, as the Group is the second largest shareholder of Qinghai Salt Lake and that the Group has the right to nominate two executive directors out of seven executive directors of Qinghai Salt Lake, the Group is able to exercise significant influence over the operations of Qinghai Salt Lake. Accordingly, such investment is accounted for as interest in an associate in the condensed consolidated financial statements of the Group.

Pursuant to the share transfer agreement, the Group agrees to be bound by the terms of the lock-up undertaking, under which the shares acquired shall not be traded or transferred until 29 June 2010.

With the consideration of the lock-up undertaking, the Group has evaluated the fair value of the equity interest by applying the Black-Scholes Model, with input base on management's estimate. The fair value of the equity interest evaluated to be RMB6,949 million and the difference of RMB210 million is recognised as a deemed contribution in capital reserve.

11. Trade and Bills Receivables

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

	30 June 2008	31 December 2007
	RMB'000	RMB'000
		(restated)
Within 90 days	**634,941**	1,030,820
Between 91 days – 180 days	**474,582**	2,175,716
Between 181 days – 365 days	**114,939**	40,148
Over 365 days	**1,725**	1,406
	1,226,187	3,248,090

12. Amount Due from/to Ultimate Holding Company

As at the reporting date, the trading amount due from the ultimate holding company is nil (2007: approximately RMB7,589,000, aged between 91 days to 180 days). Besides, the trading amount due to the ultimate holding company is approximately RMB125,398,000 (2007: nil), aged within 90 days.

13. Placements with Bank

Amount represents placement with a bank in the PRC, which will generate interest income with the fixed interest rates ranging from 1.7% to 2.8% per annum and mature within 30 days.

14. Trade and Bills Payables

The aging analysis of trade and bill payables at the reporting date is as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000 (restated)
Within 90 days	**3,311,028**	2,031,196
Between 91 days – 180 days	**276,184**	24,254
Between 181 days – 365 days	**29,757**	10,958
Over 365 days	**28,205**	8,781
	3,645,174	2,075,189

15. Issued Equity

	Six months ended 30 June 2008 RMB'000	Twelve months ended 31 December 2007 RMB'000 (restated)
At the beginning of the period/year	**3,078,496**	816,982
Issue of new shares of par value of HK$0.10 each:		
Conversion of convertible loan notes *(note 1)*	**479,987**	13,396
Exercise of share options *(note 2)*	**12,075**	–
Placement of new shares *(note 3)*	**4,660,200**	2,248,118
At the end of the period/year	**8,230,758**	3,078,496

Note 1: During the period, the convertible loan notes holders converted amount of approximately HK$278 million (equivalent to RMB256 million) face value bonds into ordinary shares.

Note 2: During the period, the share option holders exercised options with fair value of approximately HK$3.0 million (equivalent to RMB2.6 million) into ordinary shares.

Note 3: On 7 January 2008, the Company issued and allotted approximately 714,285,000 shares at a price of HK$7.00 (equivalent to RMB6.52) per share to Sinochem Hong Kong (Group) Co., Ltd, immediate holding company of the Company and PCS (Barbados) Investments Co., Ltd.

16. Commitments

(a) Capital commitments

	30 June 2008 RMB'000	31 December 2007 RMB'000 (restated)
Capital expenditure in respect of investments:		
Contracted but not provided for	**153,770**	4,903,079
Capital expenditure in respect of acquisition of property, plant and equipment:		
Contracted but not provided for	**230,843**	473,000
Authorised but not contracted for	**7,013**	443,191
	237,856	916,191
	391,626	5,819,270

16. Commitments (Cont'd)

(b) Operating lease arrangements

The Group as lessee

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

	30 June 2008	31 December 2007
	RMB'000	RMB'000
		(restated)
Within one year	**60,283**	31,501
In the second to fifth year inclusive	**38,578**	28,298
Over 5 years	**5,988**	6,240
	104,849	66,039

The Group as lessor

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

	30 June 2008	31 December 2007
	RMB'000	RMB'000
		(restated)
Within one year	**483**	582
In the second to fifth year inclusive	**424**	377
	907	959

17. Related Party Transactions

(a) During the period, except for the acquisition of associate as disclosed in note 10, the Group has entered into the following significant transactions with related parties:

	Six months ended 30 June 2008 RMB'000	Six months ended 30 June 2007 RMB'000 (restated)
Sales of fertilizers to ultimate holding company	**338,430**	598,423
Sales of fertilizers to related companies *(note)*	**176,142**	128,175
Sales of fertilizers to jointly controlled entities	**133,430**	17,121
Purchases of fertilizers from ultimate holding company	**241,397**	218,365
Purchases of fertilizers from related companies *(note)*	**808,449**	521,359
Purchases of fertilizers from jointly controlled entities	**1,267,856**	523,236
Purchases of fertilizers from an associate	**213,134**	–
Import service fee paid to ultimate holding company	**86**	212
Import service fee paid to related companies *(note)*	**6,117**	8,789
Import service fee paid to jointly controlled entities	**34,183**	–
Rental expenses paid to a related company *(note)*	**9,924**	2,551

Note: These companies are beneficially owned by the Company's ultimate holding company, Sinochem Corporation, a company established in the PRC.

17. Related Party Transactions (Cont'd)

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

	30 June 2008 RMB'000	31 December 2007 RMB'000 (restated)
Trade and bills receivables:		
Canpotex International Pte. Ltd. *(note 3)*	**1,661**	–
Guiyang Sinochem Kailin Fertilizer Co., Ltd. *(note 2)*	**9,001**	–
Advance payments and other receivables:		
Yunnan Three Circles-Sinochem-Cargill Fertilizer Co., Ltd. *(note 2)*	**12,050**	34,470
Qinghai Salt Lake Potash Co., Ltd. *(note 4)*	**15,791**	10,464
Hubei Sinochem & Orient Fertilizer Co., Ltd. *(note 2)*	**–**	5,087
Beijing Sinochem Tianji Trading Co., Ltd. *(note 2)*	**56,851**	30,145
Yunnan Three-Circles Sinochem Fertilizer Co., Ltd. *(note 2)*	**72,064**	41,578
Gansu Wengfu Chemical Co., Ltd. *(note 2)*	**20,877**	–
Canpotex International Pte. Ltd. *(note 3)*	**–**	38,315
Beijing Chemsunny Property Co., Ltd. *(note 1)*	**3,812**	6,821
Advance payment to ultimate holding company:		
Sinochem Corporation	**–**	2,099,753
Amount due from ultimate holding company:		
Sinochem Corporation	**–**	7,589
Trade and bills payables:		
Canpotex International Pte. Ltd. *(note 3)*	**480,169**	804,511
Hubei Sinochem & Orient Fertilizer Co., Ltd. *(note 2)*	**7,289**	–
Receipt in advance and other payables:		
Beijing Sinochem Tianji Trading Co., Ltd. *(note 2)*	**6,011**	–
Sinochem (United Kingdom) Limited *(note 1)*	**2,254**	1,848
Amount due to ultimate holding company:		
Sinochem Corporation	**125,398**	–

Note 1: Beneficially owned by the Company's ultimate holding company, Sinochem Corporation

Note 2: Jointly controlled entities of the Group

Note 3: An associate of a substantial shareholder of the Company

Note 4: An associate of the Group

17. Related Party Transactions (Cont'd)

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

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

	Six months ended 30 June 2008 RMB'000	Six months ended 30 June 2007 RMB'000 (restated)
Sales of fertilizers	**1,000,197**	2,262,535
Purchases of fertilizers	**2,862,870**	2,019,531

(d) Compensation of key management personnel

	Six months ended 30 June 2008 RMB'000	Six months ended 30 June 2007 RMB'000 (restated)
Salaries and other benefits	**10,805**	7,050
Retirement benefit scheme contributions	**63**	43
	10,868	7,093

18. Acquisition of a Subsidiary

On 27 June 2008, the Company acquired 75% equity interest of Sinochem Pingyuan Chemical Co., Ltd. (formerly known as Shandong Deqilong Chemical Industry Company Limited 山東德齊龍化工集團有限公司) with a consideration of RMB695,000,000. This transaction has been accounted for using the purchase method of accounting.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount before acquisition	Fair value
	RMB'000	RMB'000
Inventories	103,812	103,812
Trade and bills receivables	75,767	75,767
Advance payments and other receivables	231,915	231,915
Bank balances and cash	82,808	82,808
Property, plant and equipment	2,247,072	2,247,072
Trade and bills payables	(455,759)	(455,759)
Receipt in advance and other payables	(746,978)	(746,978)
Bank borrowings	(518,667)	(518,667)
Taxation payable	(55,948)	(55,948)
Net assets		964,022
Minority interests		(241,006)
Discount on acquisition		(28,016)
Total consideration		695,000
Satisfied by:		
Cash		695,000
Analysis of net outflow of cash & cash equivalents in respect of the acquisition of the subsidiary:		
Cash consideration		695,000
Cash and cash equivalents acquired		(82,808)
Net cash used in the acquisition of the subsidiary		612,192

The discount on acquisition represents the shortfall of the cost of investments over the fair value of net assets acquired attributable by the distress sale by the seller.

19. Post Balance Sheet Event

On 9 July 2008, the Group completed its acquisition of 100% equity interest in Jilin Fertilizer & Pesticide Group Co., Ltd. (吉林化肥農藥集團有限公司) and has consolidated it at 9 July 2008.

The Group is in the process of finalizing the relevant financial information of Jilin Fertilizer & Pesticide Group Co., Ltd., accordingly the financial impact of the acquisition to the Group is not disclosed.

Additional Information

Interim Dividend

The board of directors of the Company did not recommend the declaration of interim dividend for the six months ended 30 June 2008.

Directors' Interests in Shares and Underlying Shares

As at 30 June 2008, the interests of the directors and chief executives in the shares, share options, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

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

As at 30 June 2008, certain directors of the Company had long positions in the shares of the Company as follows:

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Liu De Shu	Beneficial owner	813,200	0.012%
Song Yu Qing	Beneficial owner	632,800	0.009%
Du Ke Ping	Beneficial owner	813,200	0.012%
Chen Guo Gang	Beneficial owner	632,800	0.009%
Harry Yang	Beneficial owner	632,800	0.009%

(b) Share options of the Company

As at 30 June 2008, certain directors of the Company had interests in the share options granted under the Company's share option schemes as follows:

Name of director	Capacity	Number of share options held	Number of underlying shares of the Company
Liu De Shu	Beneficial owner	1,639,800	1,639,800
Song Yu Qing	Beneficial owner	1,205,200	1,205,200
Du Ke Ping	Beneficial owner	4,819,800	4,819,800
Chen Guo Gang	Beneficial owner	1,205,200	1,205,200
Harry Yang	Beneficial owner	1,369,200	1,369,200
Wade Fetzer III	Beneficial owner	256,000	256,000

(c) ***Derivative interests in the shares of the Company***

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

Save as disclosed above, as at 30 June 2008, 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 as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executives of the Company to acquire benefits by means of acquisition of shares in, or debt securities of, the Company or any other body corporate, and neither the directors nor chief executives of the Company, nor any of their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights during the period.

Substantial Shareholders

As at 30 June 2008, 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 positions	Percentage of the issued share capital of the Company
Sinochem Corporation *(Note 1)*	5,149,959,015	73.51%
Potash Corporation of Saskatchewan Inc. ("Potashcorp") *(Note 2)*	5,149,959,015	73.51%

Note 1: These shares represent the corporate interest of Sinochem Corporation held through its wholly-owned subsidiary, Sinochem Hong Kong (Group) Company Limited ("Sinochem HK"). The interests consist of (a) 3,698,660,874 shares directly held by Sinochem HK and (b) 1,451,298,141 shares held by Potashcorp through its wholly-owned subsidiary PCS (Barbados) Investment Company Limited ("PCS Barbados") in which Sinochem Corporation is deemed to have an interest under sections 317 and 318 of the SFO.

Note 2: These shares represent the corporate interest of Potashcorp held through its wholly-owned subsidiary, PCS Barbados. The interests consist of (a) 1,451,298,141 shares directly held by PCS Barbados and (b) 3,698,660,874 shares held by Sinochem HK in which Potashcorp is deemed to have an interest under sections 317 and 318 of the SFO.

Additional Information

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 2008.

Subsequent to 30 June 2008, the Company has been notified by the above substantial shareholders that, on 27 July 2008, Sinochem Corporation ceased to have the deemed interest in the shares held by PCS Barbados, and Potashcorp ceased to have the deemed interest in the shares held by Sinochem HK, under sections 317 and 318 of the SFO. The interests of the substantial shareholders in the shares of the Company as at 27 July 2008 are disclosed as follows for reference:

Name of shareholder	Number of issued ordinary shares held – long positions	Percentage of the issued share capital of the Company
Sinochem Corporation *(Note 3)*	3,698,660,874	52.79%
Potashcorp *(Note 4)*	1,541,600,141	22.00%

Note 3: These shares represent the corporate interest of Sinochem Corporation held through its wholly-owned subsidiary, Sinochem HK.

Note 4: These shares represent the corporate interest of Potashcorp held through its wholly-owned subsidiary, PCS Barbados.

Share Options

The Company has adopted share option schemes to provide incentives to directors and eligible employees. On 28 June 2007, the Company has passed a resolution in 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 2007 as set out in the Company's 2007 annual report.

The following tables showed the movements in the Company's share options granted to the directors and the employees under both the Old Share Option Scheme and the New Share Option Scheme during the six months ended 30 June 2008.

Under Old Share Option Scheme

				Number of Share Options			
Grantees	**Date of grant**	**Exercisable period**	**Exercise price**	**Outstanding at 1 January 2008**	**Exercised during the period**	**Lapsed during the period**	**Outstanding at 30 June 2008**
		(Note 1)	HK$		*(Note 2)*		
Directors							
Liu De Shu	23 January 2006	23 January 2008 – 22 January 2012	1.672	2,033,000	(813,200)	–	1,219,800
Song Yu Qing	23 January 2006	23 January 2008 – 22 January 2012	1.672	1,582,000	(632,800)	–	949,200
Du Ke Ping	23 January 2006	23 January 2008 – 22 January 2012	1.672	5,213,000	(813,200)	–	4,399,800
Chen Guo Gang	23 January 2006	23 January 2008 – 22 January 2012	1.672	1,582,000	(632,800)	–	949,200
Harry Yang	23 January 2006	23 January 2008 – 22 January 2012	1.672	1,582,000	(632,800)	–	949,200
Employees							
Employees	23 January 2006	23 January 2008 – 22 January 2012	1.672	16,453,000	(2,706,400)	(138,000)	13,608,600
				28,445,000	(6,231,200)	(138,000)	22,075,800

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

Note 2: The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised during the period was HK$6.11.

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

Under New Share Option Scheme

Grantees	Date of grant	Exercisable period	Exercise price	Number of Share Options: Outstanding at 1 January 2008	Lapsed during the period	Outstanding at 30 June 2008
		(Note 4)	HK$			
Directors						
Liu De Shu	28 August 2007	28 August 2009 – 27 August 2013	4.990	420,000	–	420,000
Song Yu Qing	28 August 2007	28 August 2009 – 27 August 2013	4.990	256,000	–	256,000
Du Ke Ping	28 August 2007	28 August 2009 – 27 August 2013	4.990	420,000	–	420,000
Chen Guo Gang	28 August 2007	28 August 2009 – 27 August 2013	4.990	256,000	–	256,000
Harry Yang	28 August 2007	28 August 2009 – 27 August 2013	4.990	420,000	–	420,000
Wade Fetzer III	28 August 2007	28 August 2009 – 27 August 2013	4.990	256,000	–	256,000
Employees						
Employees	28 August 2007	28 August 2009 – 27 August 2013	4.990	6,672,000	(172,000)	6,500,000
				8,700,000	(172,000)	8,528,000

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

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

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

(iii) If the total accumulated basic earnings per share of the Company for the three consecutive fiscal years ending 31 December 2009 is more than 67.40 HK cents, a further of 25% of the share options granted will be exercisable on or after 28 August 2010, and the remaining 25% of the share options granted will be exercisable on or after 28 August 2011; but if the total accumulated basic earnings per share of the Company for the three consecutive fiscal years ending 31 December 2009 is 67.40 HK cents or less, 50% of the share options granted will be forfeited on 28 August 2010.

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

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

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 2008.

Model Code for Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of conduct regarding securities transaction by directors. Having made specific enquiry of all directors of the Company, all directors confirmed through a confirmation that they had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2008.

Corporate Governance Standards

Recognising the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, the Company is committed to maintain 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 2008 and up to the date of this report, the Company has fully complied with the code provisions set out in the Code.

For more information about the corporate governance practices of the Company, please refer to the "Corporate Governance Report" contained in the Company's 2007 annual report.

Review by Audit Committee

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

During the period and up to the date of this report, the Audit Committee had held three meetings and performed the following major duties:

(a) reviewed and commented on the Company's annual and interim reports (including the condensed consolidated financial statements for the six months ended 30 June 2008 which has been reviewed by the Company's external auditors), and the result announcements of the Company, and recommended the same for Board approval;

(b) commented on the Company's corporate governance practices and the Group's systems of internal control;

(c) discussed on the Group's internal audit plan with the Internal Audit Department;

(d) met with the external auditors without the management's participation; and

(e) reviewed the connected transactions conducted during the period.

Additional Information

Board of Directors

As at the date of this report, the executive directors of the Company are Mr. Du Ke Ping *(Chief Executive Officer)* and Mr. Harry Yang; the non-executive directors of the Company are Mr. Liu De Shu *(Chairman)*, Mr. Song Yu Qing *(Deputy Chairman)*, Dr. Chen Guo Gang, Dr. Stephen Francis Dowdle and Mr. Wade Fetzer III; and the independent non-executive directors of the Company are Mr. Ko Ming Tung, Edward, Dr. Tang Tin Sek and Mr. Tse Hau Yin, Aloysius.

For and on behalf of the Board

Liu De Shu
Chairman

Hong Kong, 27 August 2008