SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008

FINANCIAL HIGHLIGHTS

- The Group's turnover was RMB22,316 million, up by 59.13% year on year
- Net profit attributable to shareholders was RMB1,241 million, up by 135.90% year on year
- Basic earnings per share was RMB0.1783, up by 96.80% year on year
- The Board did not recommend the declaration of interim dividend for the six months ended 30 June 2008
- Number of distribution centers and sales outlets increased to 1,860 (at December 2007: 1,672)
- The Group's total fertilizer production capacity amounted to 10.16 million tons, up by 179.89%

CHAIRMAN'S STATEMENT

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 continued to intensify macro-economic regulation, gave top priority to price controls, implemented a prudent fiscal policy and a tightened monetary policy and stood the tests of severe natural catastrophes. 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 our advantages in the integrated business model and kept strengthening the enterprise management. As a result of all these joint efforts, rapid growth was achieved during the reporting period. 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 of 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 Assets Supervision and Administration Commission. As a result, the Company's fertilizer production capacity was expanded and the base of domestic fertilizer supply broadened, thus 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 establishment of the distribution network and further implemented the strategy of "setting up distribution centers at county level", so the scale of the networks was further enlarged. 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, so the comprehensive quality and operating efficiency of the network was enhanced and the capacity to serve end-users further improved.

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, at other meetings the Board also examined such important matters as strategic investments and connected transactions. The Audit Committee, Remuneration Committee and the Nomination Committee also exercised their rights and fulfilled their obligations as entrusted by the Board in their respective work.

In the second half of 2008 and beyond, the growth rate of the global economy, including China's economy, is expected to slow down. Besides, in order to guarantee the grain safety 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 prices, and implemented a prudent fiscal policy but a tightened monetary policy. In the macro-control policy of "encouraging the growth of some sectors while discouraging 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 catastrophes. 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 catastrophes to agriculture and brought in 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, an increase of 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 control on the fertilizer export as well as regulation on sales price, hence increasing the uncertainties for the operation of the Group.

Confronted with the complex and changeable external environment, under the correct leadership of the Board, our Group made further efforts in pushing forward the strategy of "centering on marketing and distribution and expanding into both production and distribution", expanded the industrial base and scale and solidified the product supply; continued to enlarge the establishment of the network, improved the quality of the network, strengthened the distribution services. As a leading enterprise in the industry, we implemented the relevant national policies, honored our responsibilities for the country, customers and consumers and achieved significant results and outstanding operational performances.

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.

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 are 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 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 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 industry represented by DeNOx, aiming at reducing the NOx produced from coal combustion and preventing the Ozone Layer from being damaged and the acid rain from forming.

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 competitive edge of Group 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 safeguard the 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 Company 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, thus having ensured safe production and safe operation.

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

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

Abiding by 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 "examplery 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 heavy snow storms and the tremendous earthquake in Wenchuan. The Group played an active role in supporting the reconstruction efforts in the stricken area 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 2007 Corporate Social Responsibility Report, presenting the social responsibility the Group shouldered to the Government, suppliers, customers, the public and other stakeholders and consciously accepting the supervision of the public. This report is the first of its kind in China's agricultural inputs industry.

Outlook

In the second half of 2008 or in an even longer time span, the Chinese government will continue to implement policies that benefit and enrich farmers. Against the background of a high pressure from grain supply around the world and continuous rise in the grain price, in order to guarantee the grain safety and stability of the commodity prices, the Chinese government will continue to strengthen its efforts in adopting policies that benefit and enrich farmers so as to maintain and promote the constant rise in grain production, which provides a favorable macro environment for the development of the fertilizer industry as well as the Group. Under the leadership of the Board, the Group will be positive towards the opportunities and challenges, always be committed to maximize the shareholders' value and keep forging ahead along the strategy of "centering on marketing and distribution and expanding into both production and distribution." We will work harder to enlarge the industrial 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. In summary, the Group is committed to improving its product operation and internal control and management, fulfilling its various business goals, bringing about higher returns for the shareholders and building the Group into China's largest and a world leading comprehensive service provider of agricultural inputs.

MANAGEMENT DISCUSSION AND ANALYSIS

Since its listing in July 2005, the Group had followed the previous practice and adopted Hong Kong dollar to be the presentation currency in all the 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 dollars 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. As the transaction is regarded as a business combination involving entities under common control, according to Hong Kong accounting principles the results of Sinochem Shandong need to be consolidated into the Group's financial statements starting from March 2004 when Sinochem Corporation invested in Sinochem Shandong. Accordingly, the comparative figures of the 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 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 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%, with profitability remaining 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 RMB101 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 subsidiaries as the booming fertilizer market boosted the profitability of these fertilizer producing enterprises. The other reason was that the share of results of Qinghai Salt Lake Potash Co., Ltd, Tianji Sinochem, Gansu Wengfu and Yunnan Three Circle-Sinochem were acquired. In addition, there was a gain of RMB26 million for negative goodwill arising from the acquisition of Tianji-Sinochem.

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 selling of shares of Luxi Chemical 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 was incurred by negative goodwill arising from the acquisition of Sinochem Pingyuan Chemical 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 income tax rate in the PRC was lowered from 33% to 25% , and the income 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 net 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 taxes incurred in the purchase 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 of 2007. The major reason was that the Group fully utilized its advantage in integrated finance management for its operations both at home and abroad and reduced its financing cost by readjusting its financing strategies in a timely manner to better cope with the rising RMB and lower US dollar interest rates. 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, plants and equipments, RMB612 million paid for the purchase of non-cash equity interest of Sinochem Pingyuan Chemical Co., Ltd, and RMB4,903 million paid for the purchase 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 turnover rate, inventories turnover days *(Note)* decreased from 78 days in 2007 to 66 days in the first half of 2008, thus improving assets operating efficiency.

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 (formerly known as "Shandong Deqilong Chemical Industry Co., Ltd"), which incurred 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 negative goodwill in the acquisition; and

2. An increase of RMB65 million return on investment attributable to accounting of equity method.

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 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 Qinghai Salt Lake Potash Co., Ltd, the decrease of RMB26 million from the selling of shares of Luxi Chemical, and the impairment of RMB249 million in change in fair value of investments held in Hualu Hengsheng, Luxi Chemical 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, increasing 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 increased 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, increasing 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 was 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.

As at 30 June 2008, the notes with total face value of HK$287 million was exercised and converted into 74,371,652 ordinary shares of the Company at a conversion price of HK$3.74 per share. As at the reported date, the total face value of outstanding loan notes was HK$622 million. According to related accounting standards, the Company shall make an independent assessment on fair value of the outstanding 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 income statement of 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 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 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 end of the reporting period.

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

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 that of unutilized 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. Foreign currency risk refers to the risk that movement in foreign currency exchange rate will affect the Group's financial results and its cash flow. Interest rate risk refers to the Group's exposure to fair value interest rate risk in relation to fixed-rate borrowings. Other price risk refers to the Group's exposure to equity 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 maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 30 June 2008 in relation to each class of recognized financial assets is the carrying amount of those assets in the consolidated balance sheet. 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. Therefore, the Group's exposure to credit risk is significantly reduced.

Liquidity risk

In the management of the 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 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
Investment in jointly controlled entities		
Acquisition of Qinghai Salt Lake Potash, Sinochem Shandong Chemical Fertilizer Co., Ltd and Tianji Sinochem Gaoping Chemical Engineering Co., Ltd	**–**	4,903,079
Investment in Jilin Fertilizer and 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.; 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 10,314 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. In the first half of 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.

The board of directors (the "Board") of Sinofert Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008 as follows:

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		**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		**3,683,133**	1,224,928
Investment properties		**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		**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	*9*	**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		**–**	7,589
Placements with bank		**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	*10*	**3,645,174**	2,075,189
Receipts in advance and other payables		**3,941,212**	1,789,019
Amount due to ultimate holding company		**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

	NOTES	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		**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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

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.

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 investments in associates and business combinations under common control illustrated below, which is 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.

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 expense				**(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**

	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 HK$0.0276 (approximate to RMB0.0243) per share (2006: HK$0.0231 (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. TRADE AND BILL 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 *RMB'000*	31 December 2007 *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

10. TRADE AND BILL 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

INTERIM DIVIDEND

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

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 Mr. 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 announcement, 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.

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

BOARD OF DIRECTORS

As at the date of this announcement, 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
Du Ke Ping
Executive Director and Chief Executive Officer

Hong Kong, 27 August 2008

* *For identification purpose only*