

Nurturing China's Agriculture Sector



2007 Interim Results



中化化肥控股有限公司
SINOFERT HOLDINGS LIMITED

Aug 27, 2007

Disclaimer

This presentation and the presentation materials distributed herewith include forward-looking statements. All statements, other than statements of historical facts, that address activities, events or developments that Sinofert Holdings (“Sinofert”) expects or anticipates will or may occur in the future (including but not limited to projections, targets, estimates and business plans) are forward-looking statements. Sinofert’s actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties, including but not limited to price fluctuations, actual demand, exchange rate fluctuations, exploration and development outcomes, estimates of reserves, market shares, competition, environmental risks, changes in legal, financial and regulatory frameworks, international economic and financial market conditions, political risks, project delay, project approval, cost estimates and other risks and factors beyond our control. In addition, Sinofert makes the forward-looking statements referred to herein as of today and undertakes no obligation to update these statements.

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- **Financial Performance: Robust Growth & High Return**
- Operating Highlights: Steady Implementation of Our Corporate Strategy
- Outlook for 2H07: Expanding the Scale of Our Business & Improving Profitability

Performance Highlights for 1H07: Continuous Rapid Growth in Major Business Segments

(HKD '000)

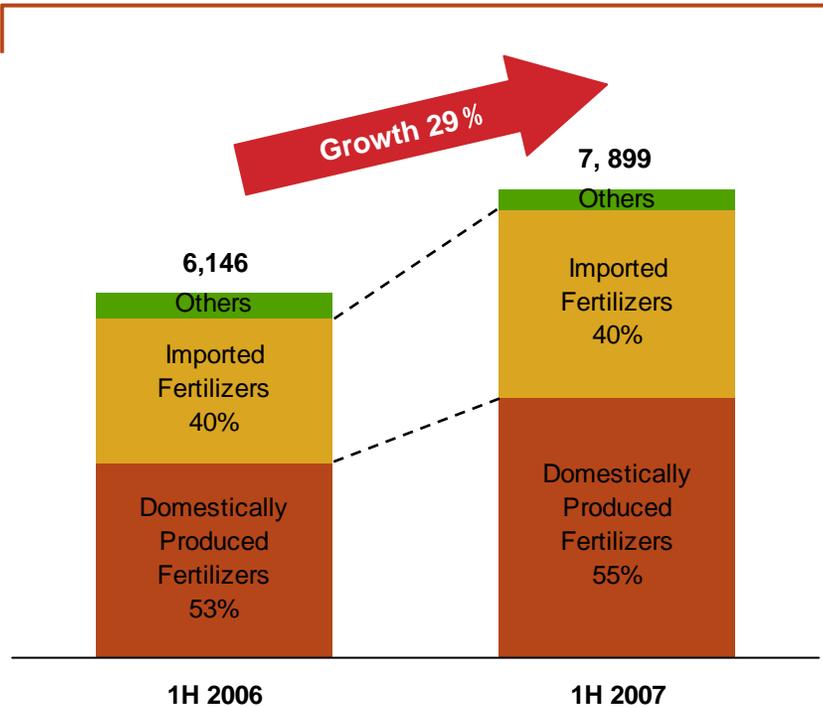
	1H07	YOY Growth
Sales Volume (Kt)	7,899	29%
Sales Revenue	14,342,060	39%
Gross Profit	1,265,449	51%
Expenses (excl. the impact of changes in fair value of the Convertible Bond)	537,887	54%
Net Profit (excl. the impact of changes in fair value of Convertible Bond)	609,532	31%
ROE (excl. the impact of changes in fair value of the Convertible Bond)	12%	1.6ppt
EPS * (excl. the impact of changes in fair value of the Convertible Bond)	10.49 cents	31%
Net Profit	530,353	14%

In Aug 2006, the Company issued a convertible bonds (CB) of HK\$1.3 bn. According to our current accounting standards, the impact of losses in the fair value of the CB resulted in a HKD 79 MM loss for our latest reporting period. Given this factor does not impact our normal course of business, our analysis as presented in rest of the presentation will exclude it from discussion.

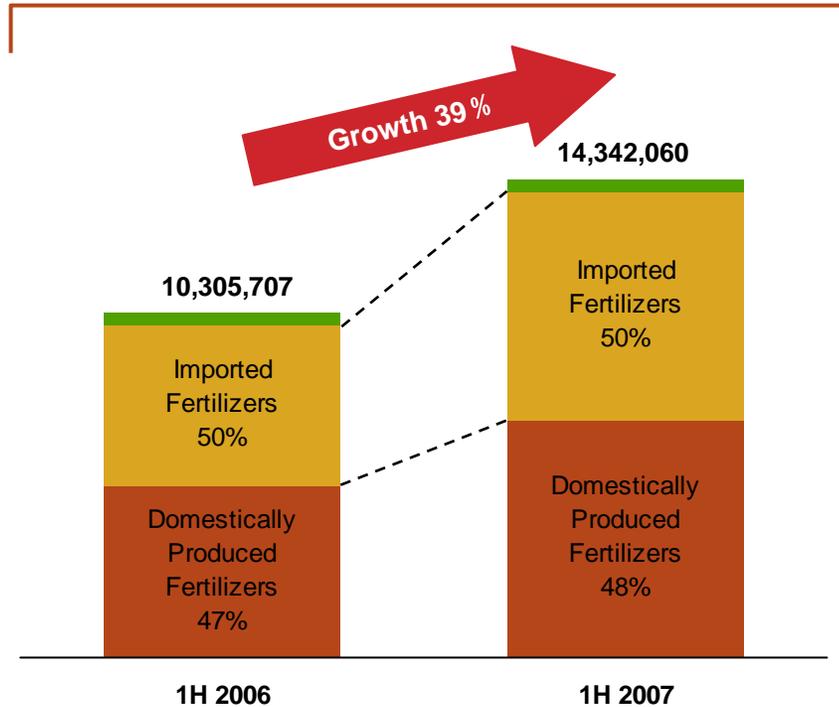
Note: The total weighted average number of shares outstanding as of 1H07 is 5,808,126, 964.

Rapid Growth in the Scale of Our Business

Sales Volume (Kt)



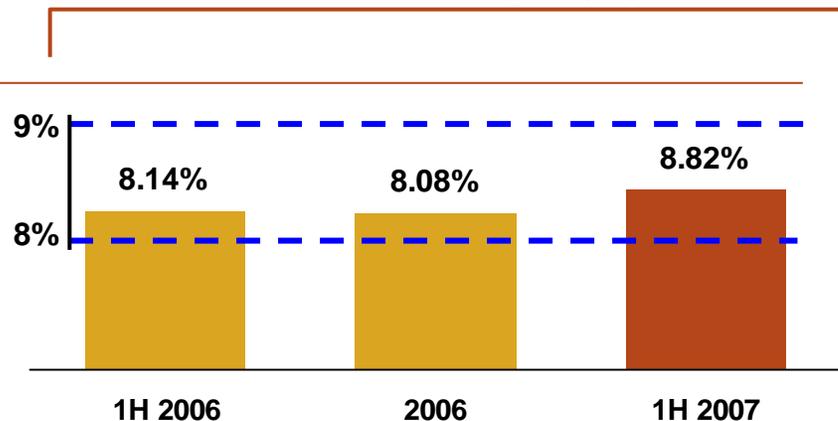
Sales Revenue (HK\$ '000)



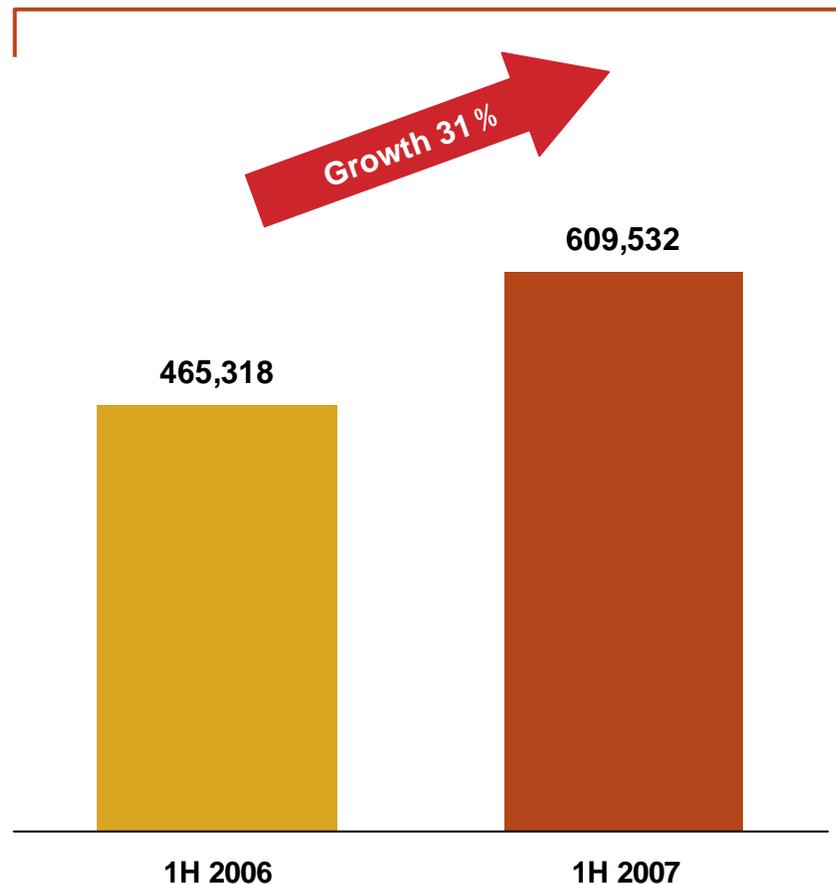
- The average selling price increased from RMB 1,677/ton to RMB1,816/ton, and therefore resulted in a higher revenue growth compared with the growth of our sales volume

Stable Profitability with Significant Growth in Net Income

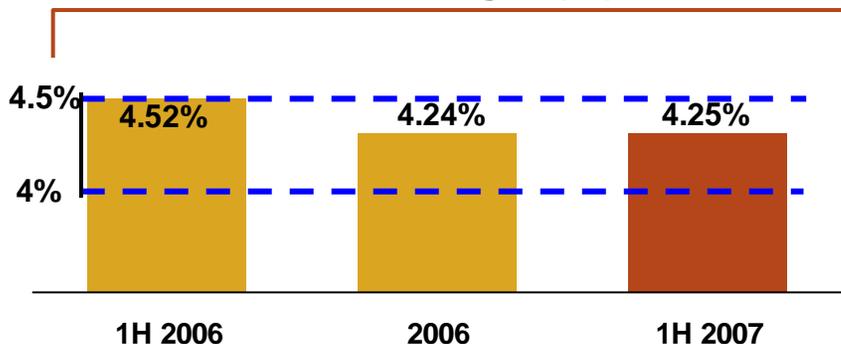
Gross Margin (%)



Net Profit (HK\$'000)



Net Margin (%)

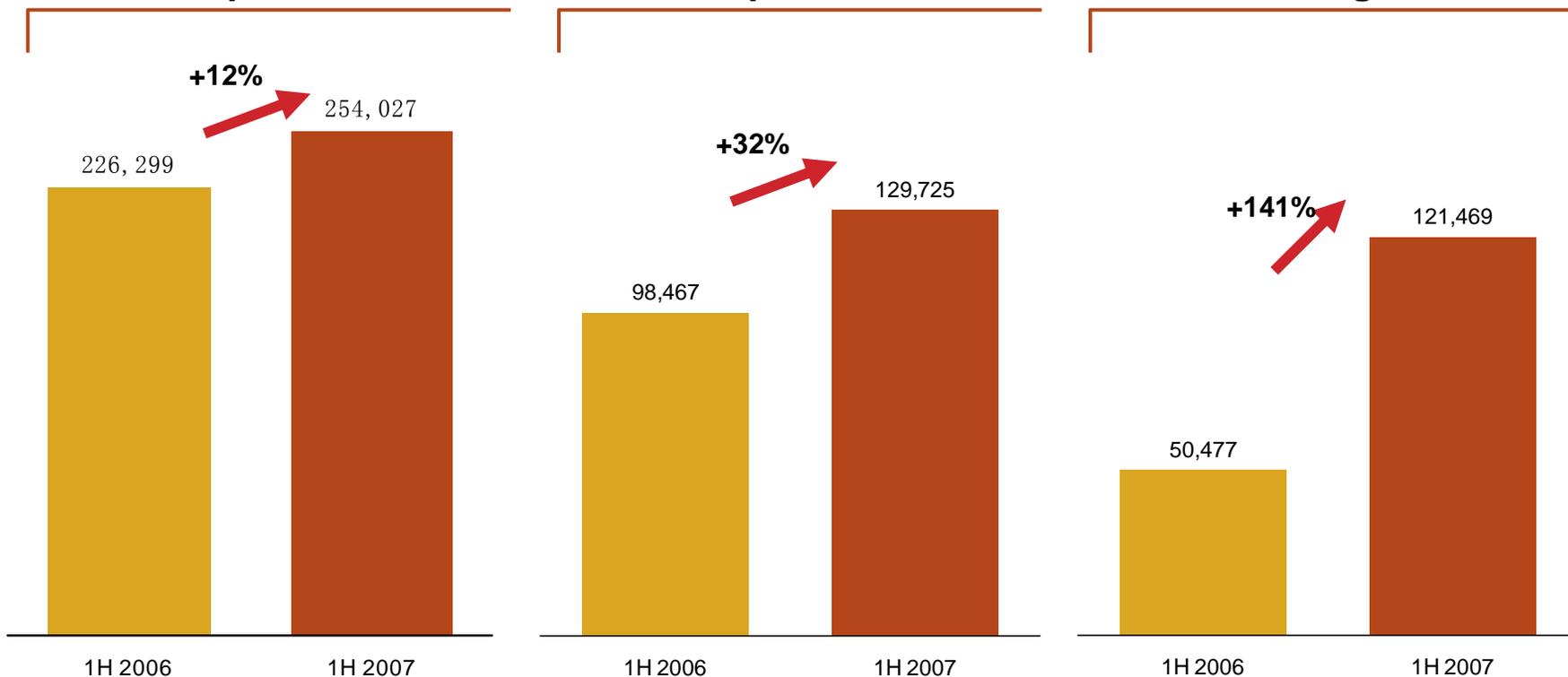


Expenses Growing Largely in Line with Our Business Expansion

Selling & Distribution Expenses

Administrative Expenses *

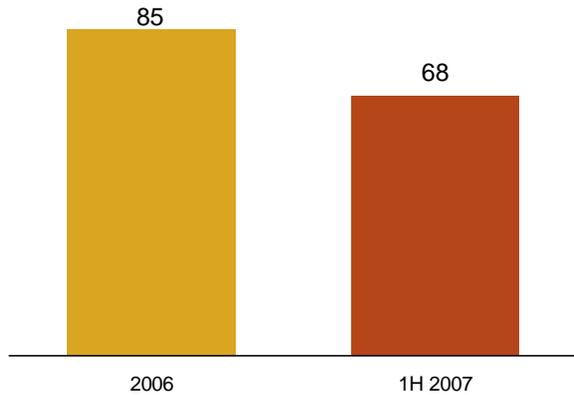
Financing Cost



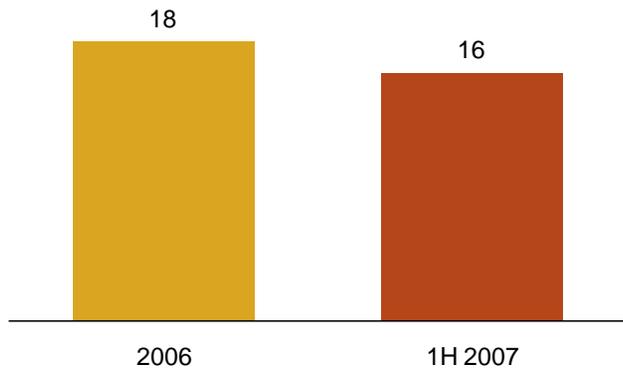
Note: Excluding provisioning against impairment to the fair value of inventory.

Operating Efficiency & Inventory

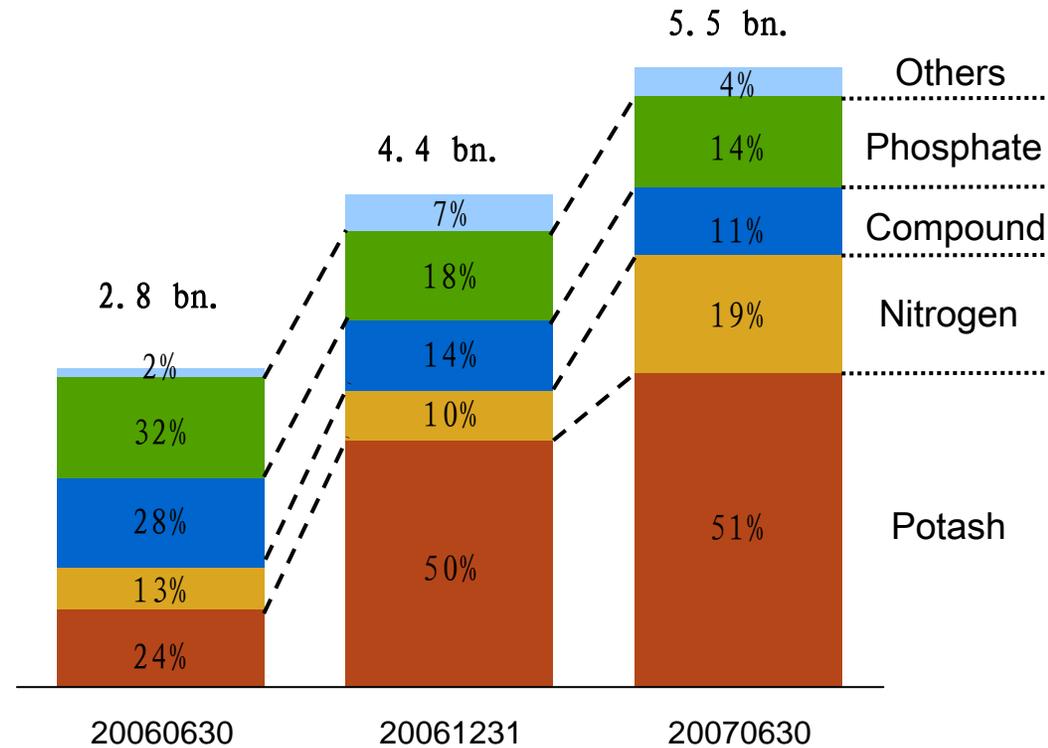
Inventory Turnover Days



Accounts Receivable Turnover Days

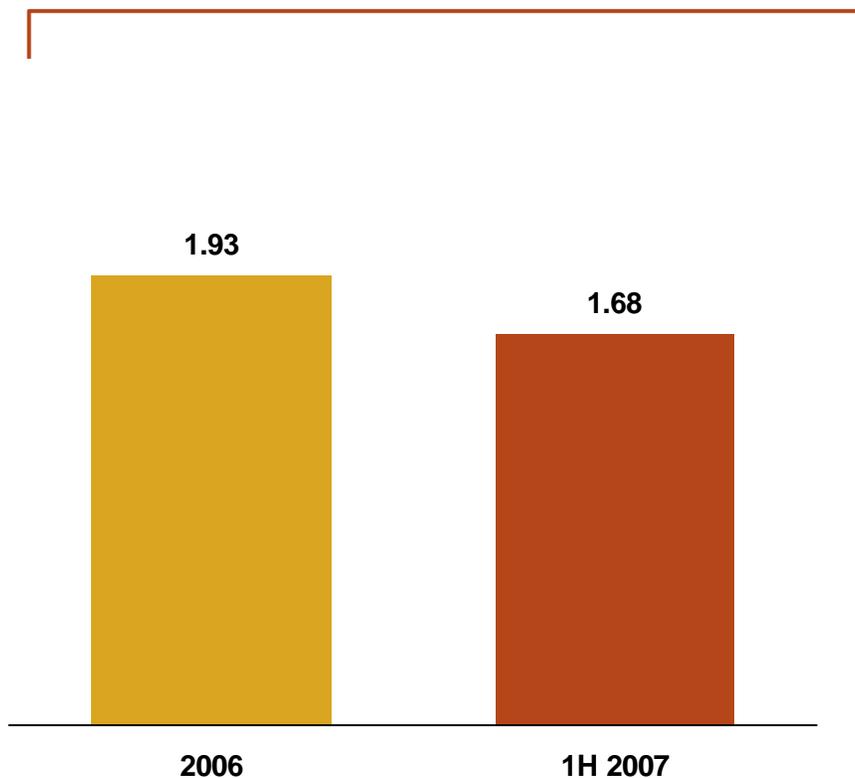


Inventory Breakdown by Product

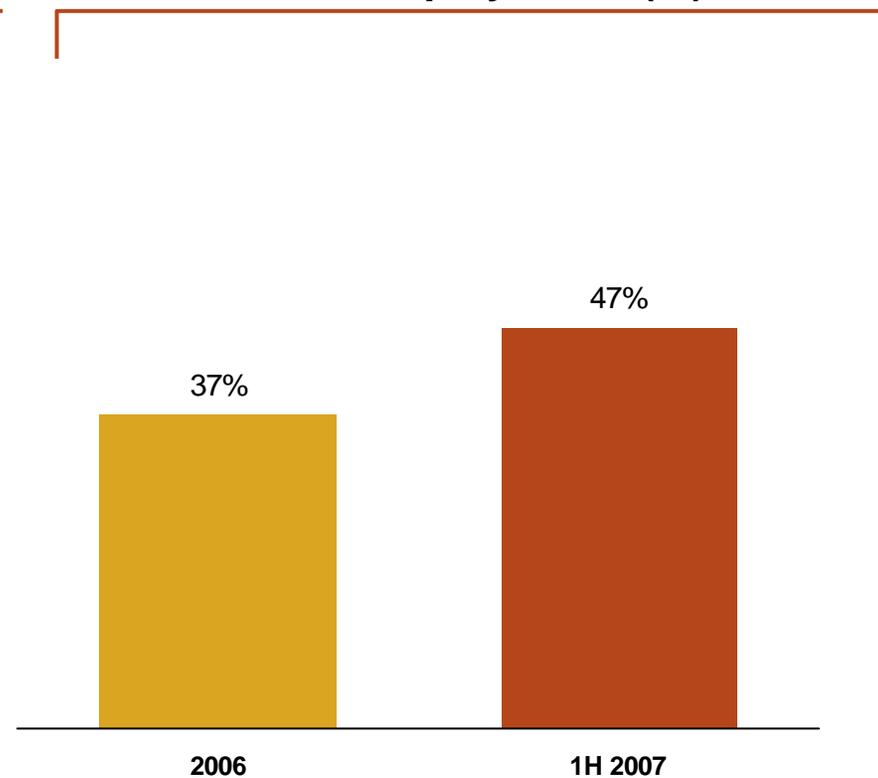


Solvency

Current Ratio



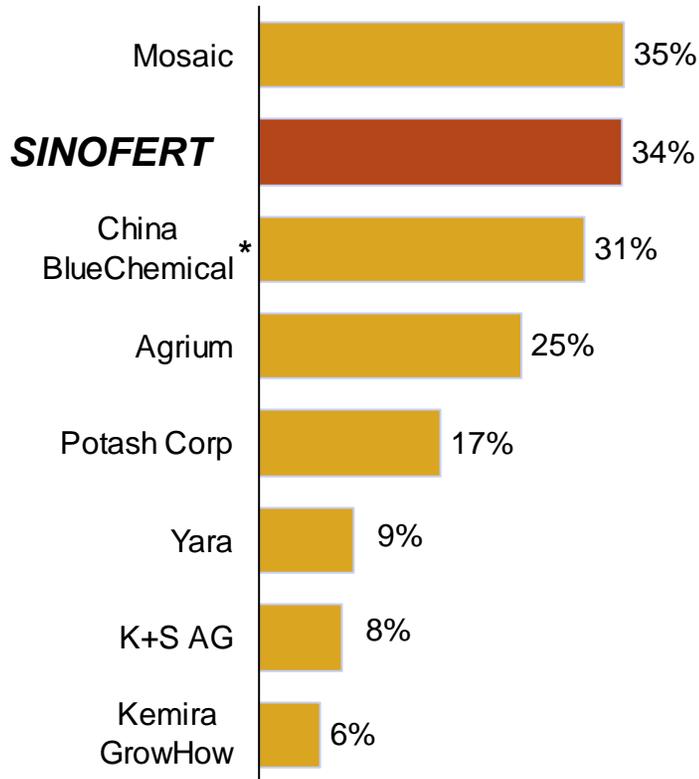
Debt-to-Equity Ratio (%) *



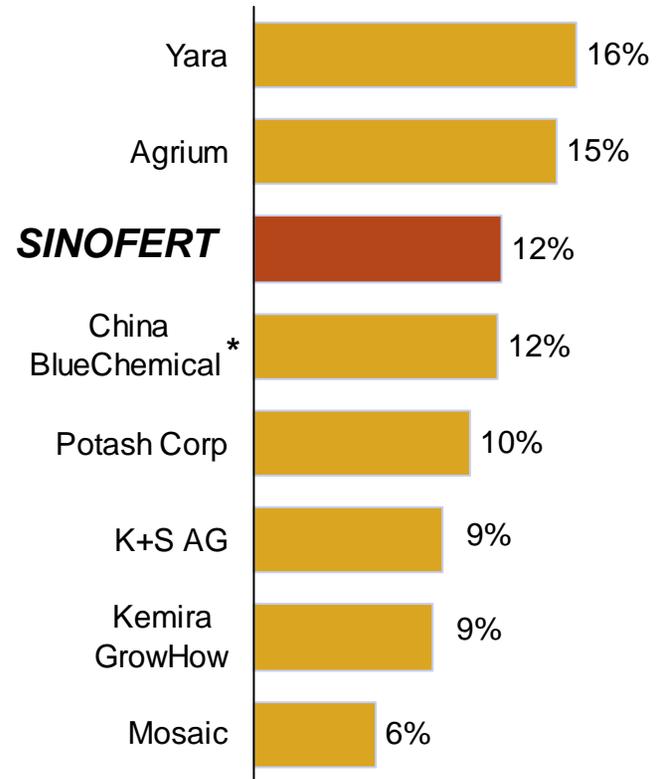
Note: Debt-to-equity Ratio = Total Interest Bearing Liabilities / Total Equity.

Global Comparable Fertilizer Producers

Revenue Growth (04 – 1H 07 CAGR)



ROE (1H 2007)



Source: Bloomberg.

Note: BlueChemical 2007 interim report not released yet. It's CAGR is that of 04-06. It's ROE is half of the total in 2006.

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- Financial Performance: Robust Growth & High Return
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Product Development Strategy: Potash Fertilizers - Leaping Sales Volume and Profitability

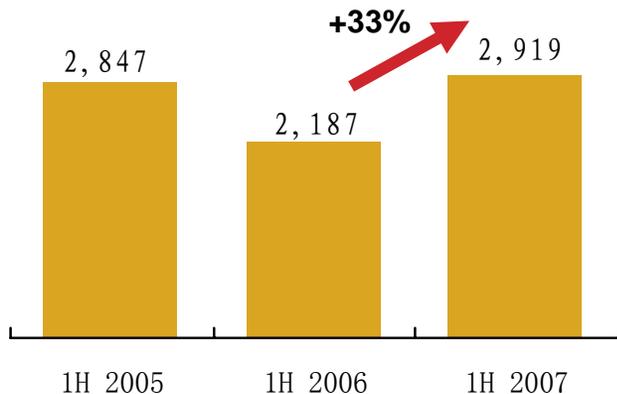
Development Strategy for potash fertilizer business:

the leader in China's potash fertilizer market with more than 50% market share

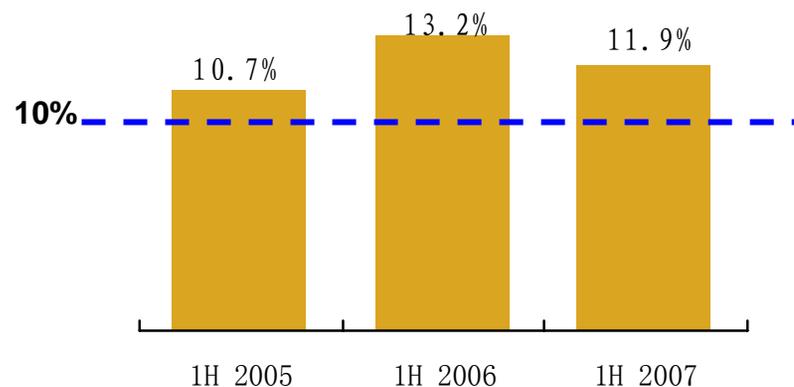
Implementation Progress in 1H07

- Negotiation on supply contracts of potash fertilizers was concluded in February (with unit price increased by US\$ 5 per ton). This result lowered uncertainties related to our potash fertilizer business
- In order to further strengthen our competitive advantages in the import of potash fertilizers, we successfully renewed exclusive agency agreements with three international major potash fertilizer suppliers for 2007 to 2009
- We have further enhanced our cooperation with Chinese domestic suppliers, as a result, we see a steady increase in the number of our suppliers of domestically-produced potash fertilizers
- Through a combination of distribution and direct sales, we have enlarged our customer base of both agricultural and industrial potash fertilizer users, as well as increased our market share

Sales volume (Kt)



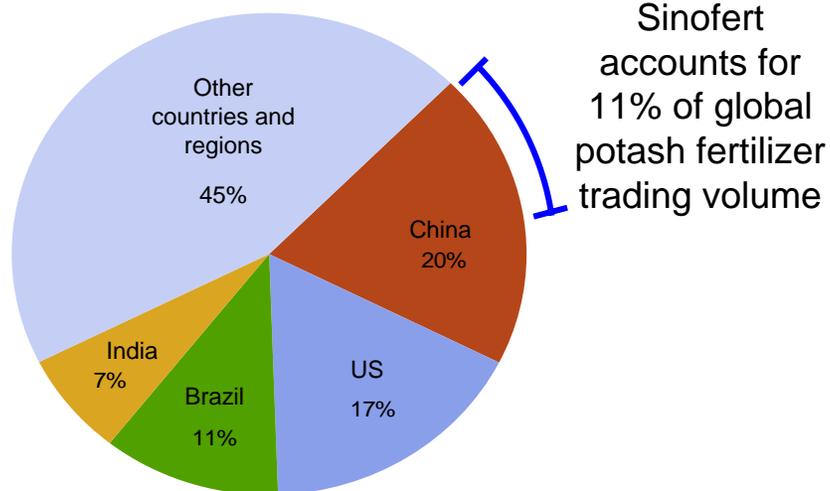
Gross Margin



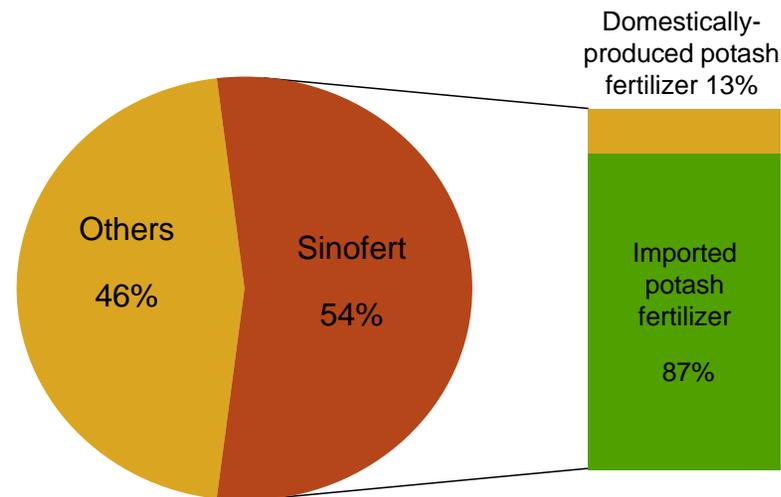
Product Development Strategy: Potash Fertilizers – Further Enhance Our Leading Market Position

- Long Term Stable Sources of Supply
 - China is the largest importing country of potash fertilizer in the world, and Sinofert accounts for 50%-60% of China's total import volume
 - International potash fertilizer producers such as Canpotex, DSW and APC supplies potash fertilizers exclusively to Sinofert in China
 - We enjoy a strategic partnership with Qinghai Salt Lake Potash, the largest potash fertilizer producer in China, and nearly half of Salt Lake Potash's products are sold through our distribution network
- Extensive distribution channels with solid customer base
 - Distribution network covered 80% farmland in China
 - Industrial customers accounted for 51% of Chinese compound fertilizer enterprises with country leading production profile; agricultural end-users reached over 18,000

Breakdown Of Global Potash Fertilizer Market



Breakdown Of China Potash Fertilizer Market



Source: IFA, CNCIC

Product Development Strategy: Nitrogen Fertilizer - Sales Volume Further Increased

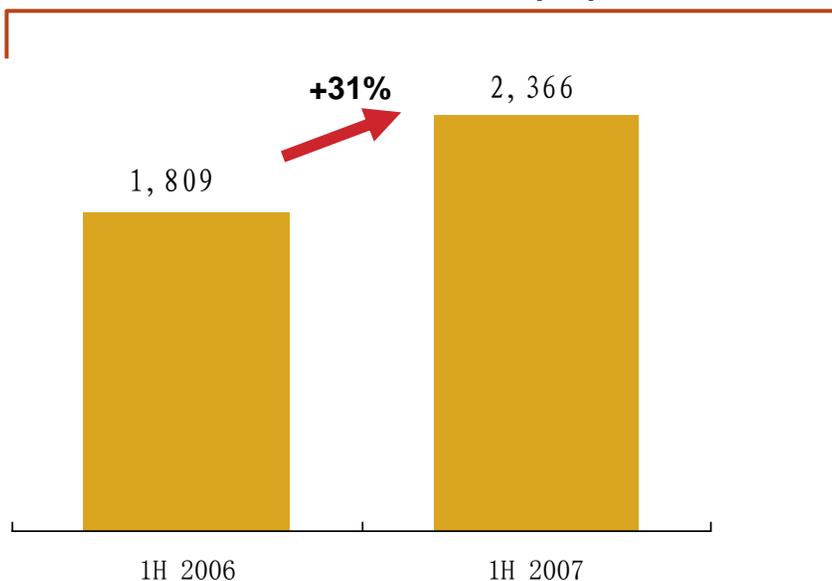
Development strategy for nitrogen fertilizer business

To become market consolidator, with market share steadily increasing by 2% each year

Implementation Progress in 1H07

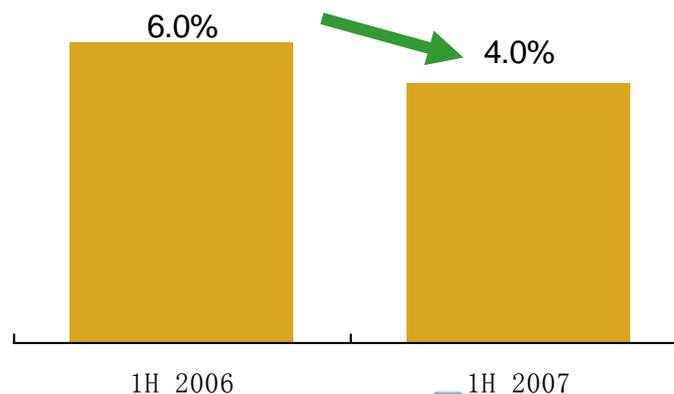
- Nitrogen fertilizer enterprises are experiencing declining gross margin as a result of a number of reasons such as: substantial newly added production capacity, market oversupply, 30% tariff levied by the Chinese government to restrict export volume, and declining product selling price
- We successfully strengthened our long-term relationship with our suppliers and secured stable resources of supply, by making direct equity investments into Chinese leading nitrogen producers, and fully leveraging our advantages in capital strength, distribution network, and brand recognition
- By leveraging our nationwide distribution network and focusing on increasing sales volume, we have occupied 10% market share

Sales volume (Kt)



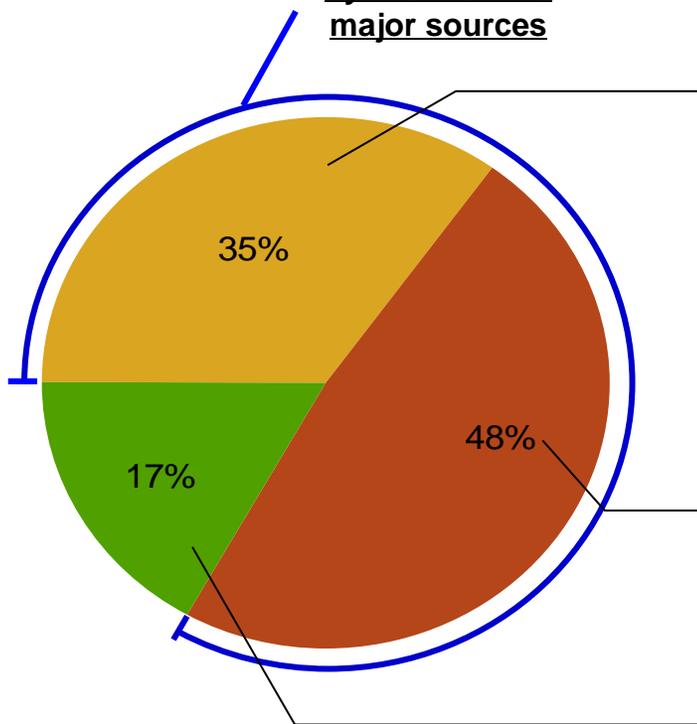
Gross Margin

As a result of unfavorable market supply/demand dynamics, we saw a declining profitability across the sector, with gross margins of Chinese major listed nitrogen fertilizer producers decreased by 5 percentage point



Product Development Strategy: Nitrogen Fertilizer – Expanded Supplier System

More than 80%
of our supply
volume secured
by the first two
major sources



- Strategic partnership through equity investment
 - Following our equity participation in Luxi Chemical and Hualu Hengsheng last year, we also invested in Singapore listed Henan XLX in 1H07 and further expanded our supplier system through the transaction
 - Annual supplying capacity: 1.5-2 Mt

- Long-term supply contracts
 - We secured a long-term stable cooperation with 20 medium-to-large sized producers through long-term supply contracts
 - Annual supplying capacity: 2-2.5 Mt

- Regional suppliers
 - Cooperate with small-to-medium sized nitrogen fertilizer enterprises in many flexible ways by leveraging on regional competitive advantages of our distribution network
 - Annual supplying capacity: 0.5-1 Mt

Successfully secure a long-term supply of 4 million tons, laying a solid foundation for future development



Product Development Strategy: Phosphate Fertilizers and Compound Fertilizers - Improving Sales Volume and Profitability

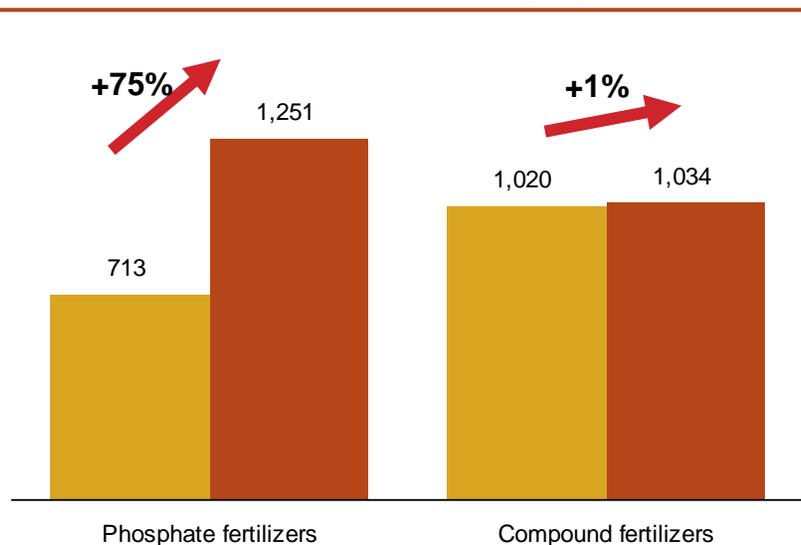
Development strategy for phosphate fertilizers and compound fertilizers

Achieve sustainable growth in both production capacity and profitability by leveraging on Sinofert's integrated business model

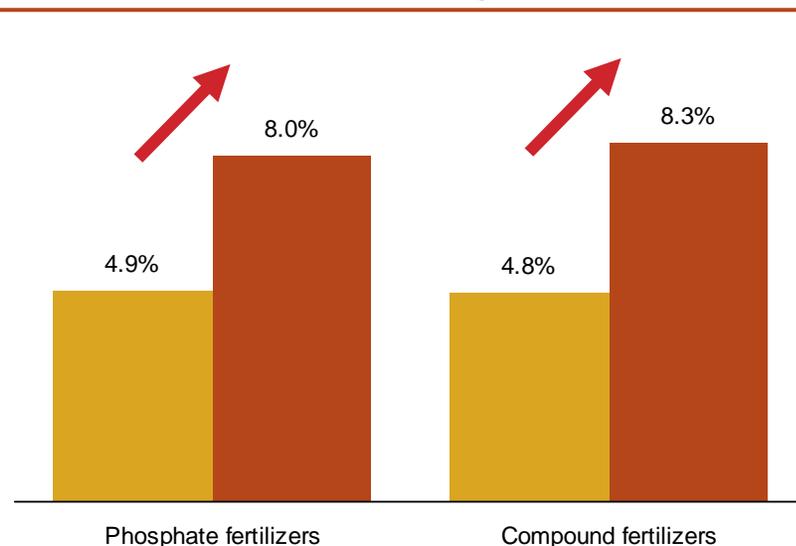
Implementation Progress in 1H07

- The phosphate fertilizer price increased substantially in the international market, which in turn drives the increases in selling price and export volume in China. The increase in the cost of raw materials spurs the selling price of compound fertilizers
- Our production capacity grew by another 600,000 tones, and further strengthened our ability to supply our downstream network
- Focused on increasing our sales volume and profitability by fully leveraging on our integrated business model

Sales volume (Kt)



Gross Margin



Upstream Strategy: Resource Based Production Capacity Expansion

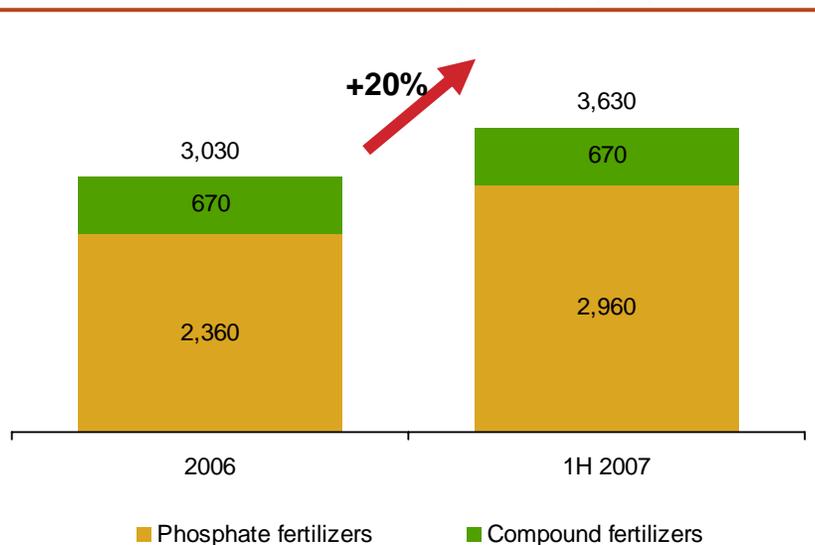
Upstream strategy

Focusing on expanding our annual production capacity based on our access to upstream feedstock supply

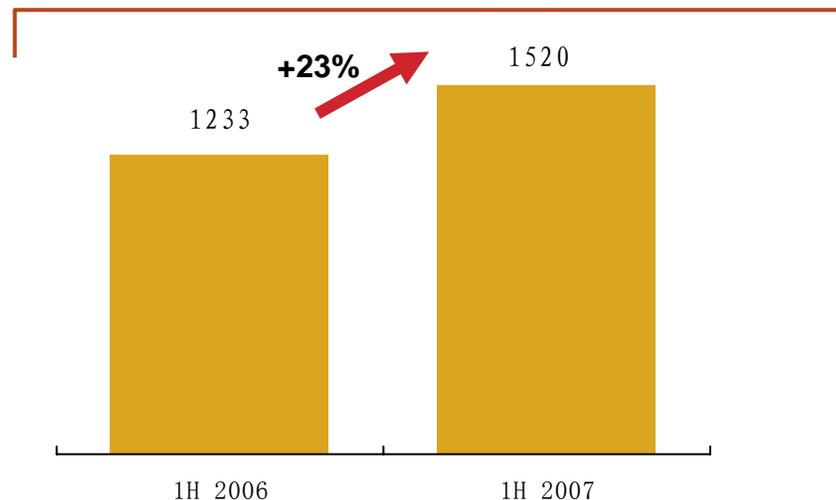
Implementation Progress in 1H07

- Actively pushing ahead with the acquisition of three fertilizer assets from our parent company
- Our Kaiyang Phosphorus Project expanded its annual DAP production capacity by 600,000
- Stable growth was achieved in the delivery of goods to the downstream network
- Explore investment opportunities on resources programs such as Potassium ore, Phosphate ore and coal chemical industry

Production Capacity (Kt)



Supply Capacity to Downstream Network (Kt)



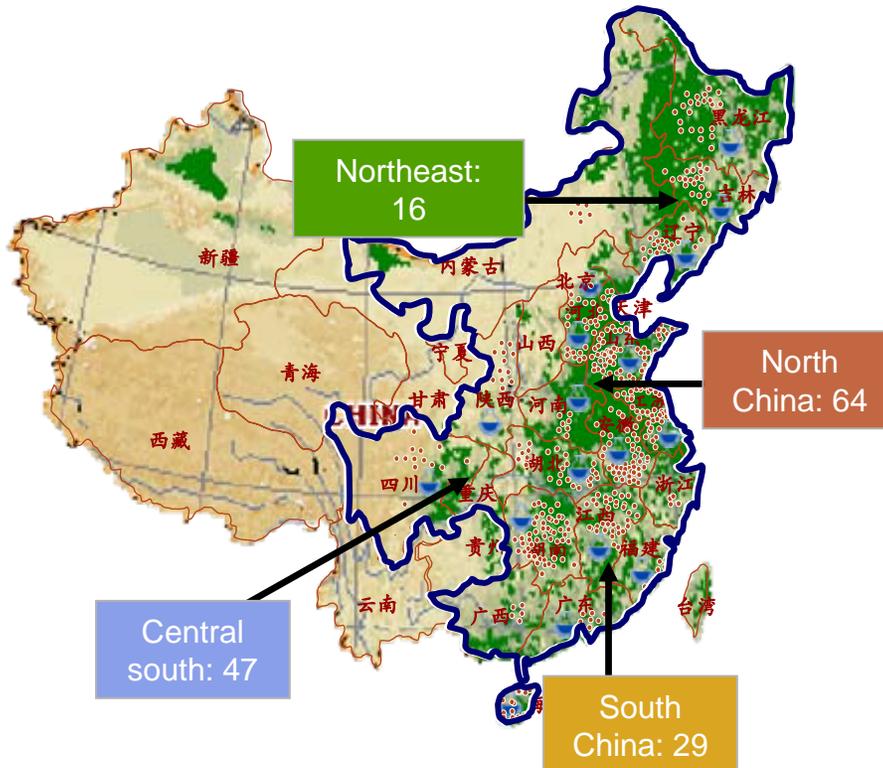
Downstream Strategy: Increasing Scale of Distribution Network

Downstream strategy

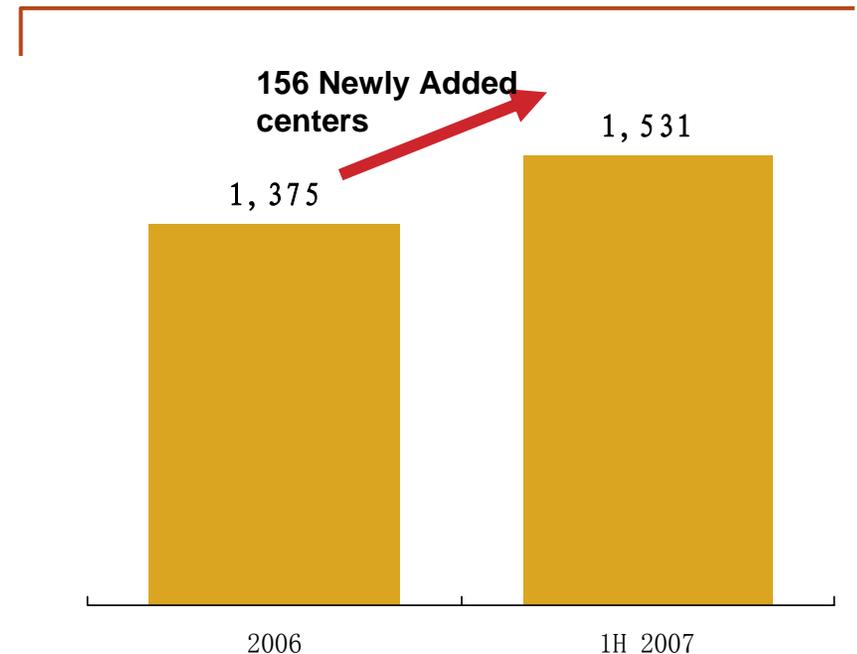
Expanding distribution network and enhancing core competitiveness

Implementation Progress in 1H07

- Continuous efforts were made to increase our network penetration in developed regions in East China, and to expand the scale of our distribution network in the central western emerging regions. The total distribution centers across China stands at 1,531



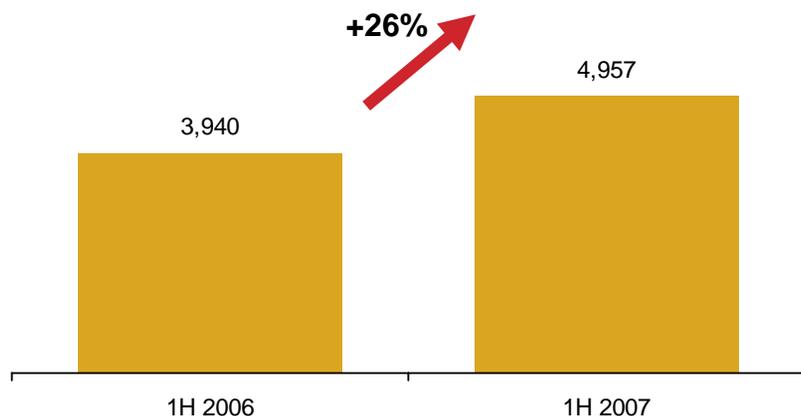
Total distribution centers increased to 1,531



Downstream Strategy: Enhance the Overall Value of Our Brand Name and Focus on Achieving Stable Revenue Growth

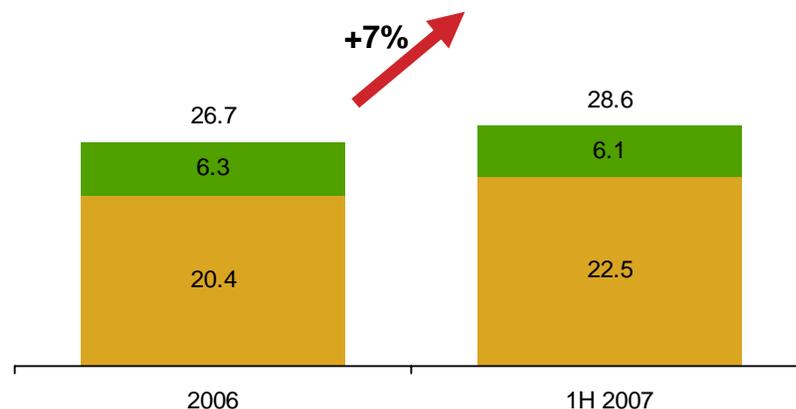
- Committed to providing various long-term agri-chemical services and improving the overall value of our brand name
 - The campaign of “10,000 movies in 100 counties” was launched in March and so far 5,600 shows were already held with total audience of nearly 4 million persons
 - Our customer rewarding campaign was launched in more than 80 counties and villages and 40 cities and counties across 8 provinces in South China. There were a total of 80 roadshows and nearly 300 promotional activities
 - Continuous efforts were made to develop exemplary villages and carry out soil testing for formulated fertilization. 99 exemplary villages were added in 1H 2007
- The proportion of customers from counties and villages keeps on increasing and there is stable growth in customer base

Distribution centers' sales ('000 tones)



Distribution network's customer structure

Unit: '000



■ customers from counties and villages ■ Others

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Favorable Outlook for Chinese Agriculture Industry and Government Support

- Key features of Chinese Economy in 1H 2007
 - In 1H 2007, China's GDP increased by 11.5%, CPI increased by 3.2% to 5.6% in July. The economic growth momentum is becoming overheated
- Government Has Started To Focusing On Controlling Economic Overheat Through Macro Economic Control
 - Aim to solve major problems such as overgrown trade surplus, excess liquidity and over quick increase in fixed asset investment
 - While avoiding economic overheat, the government continues to strengthen its aid-agriculture policies

Along with focusing on macro economical control, the Chinese government is highly committed to its uncompromised support to the agriculture industry

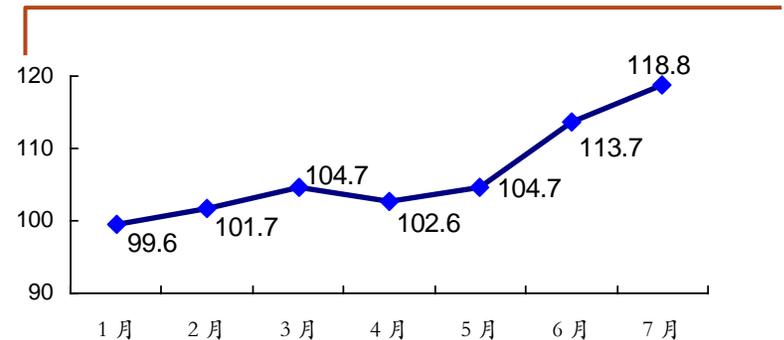
- Increased Financial Support in order to Solve the "Agriculture, Farmers and Rural Area" issue
 - In 2007, the central government spent RMB 391.7 billion to resolve the "Agriculture, Farmers and Rural Area" issue, RMB 52 billion more compared to 2006, representing an increase of 15.3%. Total grain direct subsidy and integrated direct subsidy reached RMB\$42.7 billion, representing a 63% YoY growth
- Stringent Plow Land Protection System
 - The government takes a firm stand to maintain a minimum of 1.8 billion Mu plow land in China.
 - Cultivation area increased by 6 million acreages to 1.588 billion Mu this year
- Implement Minimum Purchasing Price on Wheat and Rice
 - The summer harvest of 2007 increased in the fourth consecutive year. According to the estimates from Ministry of Agriculture, country-wide total harvest reached 116.1 billion kg this summer, representing an 1.9% increase. However, the issue of Grain Safety remains a main focus of the government in the long run



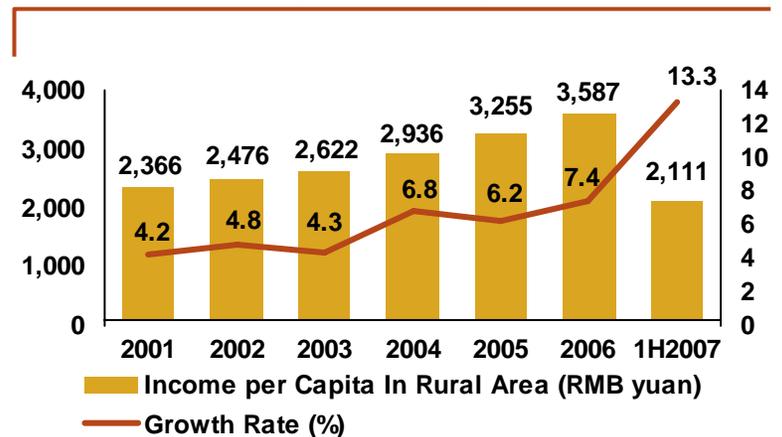
Outlook for 2H 2007: Favorable External Environment

- Larger demand for fertilizer due to Increasing cultivation area and grain price
 - According to estimates from the government, the cultivation area of autumn harvest will reach 1.094 Mu (4 million Mu more than that of last year); Grain price is expected to remain at high level in 2H 07, which will increase the overall income level of the farmers and contribute to a larger demand for fertilizer
- Reduction in export duty and increase in international fertilizer price will facilitate our business expansion and enhance profitability
 - From October to December, the export duty of urea will be reduced from 30% to 15% and DAP export duty reduced from 20% to 10%, resulting in larger fertilizer export. Due to the significant increase in International prices of phosphate and potash fertilizers, domestic fertilizer prices are expected to keep the present growing momentum
- Favorable outlook of the capital market will benefit the Company's strategic development
 - The management is proactively considering listing in the A-share market
 - Prevailing trend of industry-wide restructuring and integration provides us with M&A opportunities in the capital market

Wholesale Price of Agricultural Products in 2007 - YoY Comparison



Per Capita Income in Rural Areas (2001-2007)



Source: Ministry of Agriculture, National Bureau of Statistics

Implementation of Strategic Integration, Expansion in Business Scale and Improvement in Profitability

Continue to follow our corporate positioning of “Becoming A Marketing and Service Oriented Company”
Continue to expand into Upstream and Downstream businesses while focusing on distribution

Upstream

- Acquisition of the 3 fertilizer assets from the parent company being implemented now will bring new momentum to the Company
- Continuous attention to investment and partnership opportunities in resources, such as phosphate, potash and coal chemicals

Downstream

- Continuous expansion of distribution network, aiming to reach a total of 1,700 distribution outlets within the year
- Continuous expansion of customer base and optimization of customer structure
- Improvement of core competitiveness and expansion of the sales scale

Product Operation

- Potash fertilizers: Implement market segmentation and continue to enhance advantageous positioning
- Nitrogen fertilizers: Strengthen the supply system and further expand sales volume, aiming to build solid foundation for future development
- Phosphate fertilizers and compound fertilizers: Leverage the advantages of integrated business model to expand business scale and improve profitability
- Pesticides and seeds: Looking for strong target companies to acquire or invest in

Objective: Increase our share in the domestic fertilizer market from 13.5% to 17% by the end of 2007



Sinofert: Sustainable, Healthy and Rapid Development

Nurturing China's Agriculture Sector

Q & A

Appendix 1: Important Nitrogen Fertilizer Producers in Strategic Partnership (to be updated)

Luxi Chemical (SZ,000830)

- The largest coal-based urea manufacturer in China
- Annual production capacity of 1 million tons of urea and compound fertilizers, respectively
- Granted sole distribution right in Heilongjiang, Jilin, Liaoning and Jiangsu Provinces, providing 0.15, 0.3 and 0.5 million tons of product respectively in 2006, 2007 and 2008
- Sinofert purchased 50 million shares through private placement at RMB\$2.6 per share, representing 4.78% of its issued shares

Shandong Hualu Hengsheng (SH,600426)

- The first clean coal gasification project in China equipped with domestically manufactured large scale chemical fertilizer production equipment with proprietary intellectual property
- Annual production capacity of urea reached 1 million tons in 2006
- Sinofert purchased 15 million shares through private placement at RMB\$7.5 per share, representing 4.54% of its issued shares

China XLX Fertilizer (SI,B9R.SI)

- One of the most cost efficient coal-based urea manufacturers in China
- Annual production capacity of urea reached 0.6 million tons in 2006
- Obtain 50% of its annual production
- Sinofert purchased 49.9 million shares through private placement at S\$0.77 per share, representing 4.99% of its issued shares

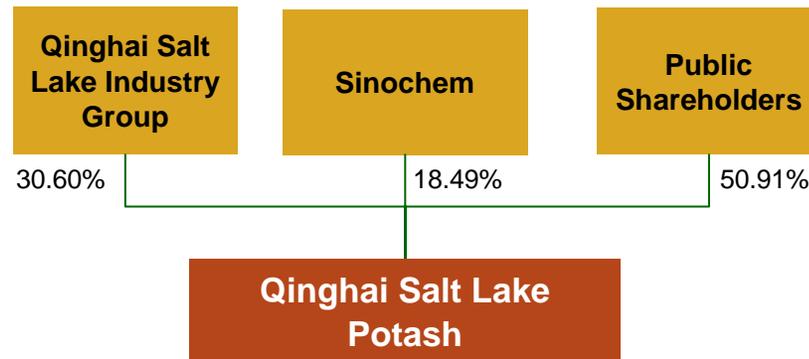
Appendix 2: Assets to Be Acquired from Our Parent Company—Qinghai Salt Lake Potash: An Enterprise of Resource Advantages

Overview of Salt Lake Potash



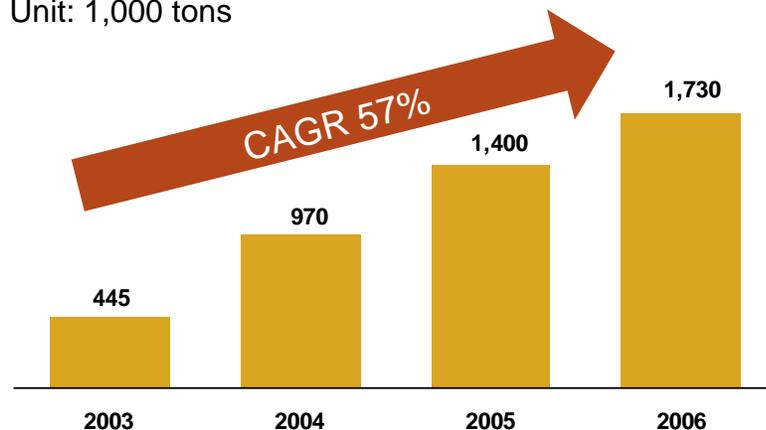
- Location: Qarhan Salt Lake, Qinghai
- Major Product: Potassium Chloride
- Market Position:
 - Largest producer of potassium chloride in China, representing over 70% of the total domestic production volume
 - Enjoying significant competitive advantages with few domestic competitors
 - The government strongly supports domestic potash fertilizer producers
 - “Salt Lake” brand potassium chloride products were awarded as “national renowned products” and “national inspection free products”
- Resource & Technical Advantages:
 - Owns the mining right of Qarhan Salt Lake region and is entitled to continuous exploitation of the resources
 - Production efficiency enhanced by technical improvement with the cost decreasing

Equity Structure



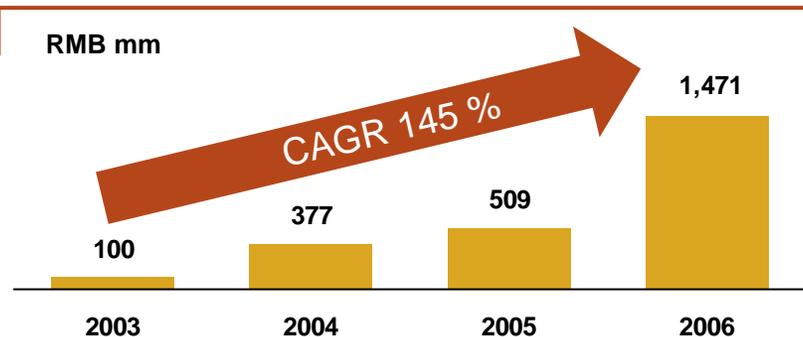
Rapid Output Growth

Unit: 1,000 tons

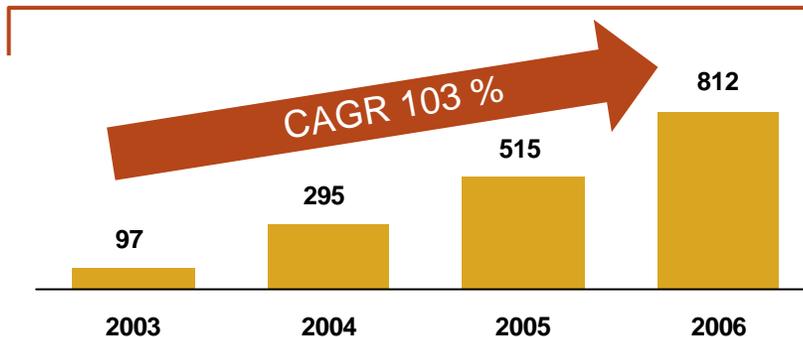


Appendix 2: Acquire Assets from the Parent Company—Salt Lake Potash : Profound Significance of the Acquisition

Net Cash Flow from Operating Activities



Net Profit (RMB mm)



- Strengthen the advantageous position in potash fertilizer market and achieve win-win situation
 - “China’s largest supplier of imported fertilizer” + “China’s largest producer of potash fertilizer”
 - To represent over 70% of China’s potash fertilizer market share
 - Combination of Salt Lake Potash’s production edges and Sinofert’s strong distribution capability
- Cooperation in developing resources in the Salt Lake region
- Outstanding financial performance of Salt Lake Potash will benefit the Company
 - Increase in investment income
 - Our net profit and EPS will increase HK\$ 93 mm and HK\$ 1.6 cents respectively based on Salt Lake Potash’s results in 1H07
 - Sinofert will have access to additional cash given Salt Lake Potash’s high dividend payout ratio

Appendix 2: Acquire Parent's Assets—Sinochem Shandong Fertilizer and Tianji Sinochem

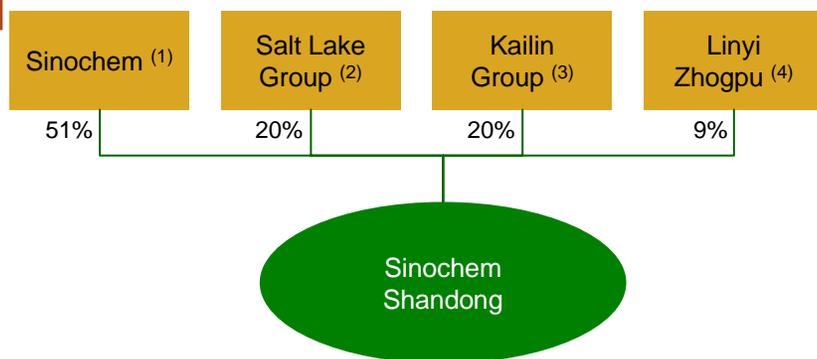
Sinochem Shandong: Significant Competitive Advantages in Technology & Geographic Location

- Compound fertilizer capacity: 600,000 tons/year
- Advanced production technology with advantages in technology
- Ideal geographic location—located in the area where demand for compound fertilizer is the largest and the most concentrated
- Raw materials required are in line with the product lines of Sinochem
- The products operated by key shareholders are well complementary with those produced by the Company

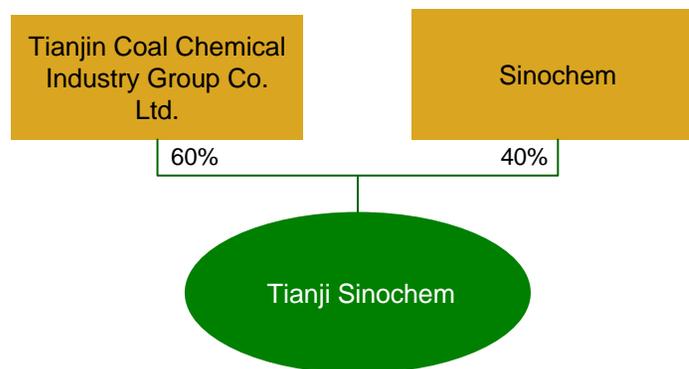
Tianji SinoChem: Significant Cost Edge

- Urea capacity: 600,000 tons/year
- Located in the coal-rich area of China, has raw material advantages
- Granular urea is the trend of nitrogen fertilizer
- Large scale and highly modernized coal chemical project
- Will become one of the key production bases of Sinochem

Sinochem Shandong Equity Structure



Tianji SinoChem Equity Structure



Notes: (1) SinoChem
 (2) QINGHAI SALT LAKE INDUSTRY GROUP CO.LTD.
 (3) Guizhou Kailin Group Co. Ltd.
 (4) Linyi Zhongpu Dongsheng Trading Co.

Source: Company data

Appendix 3: Successful Placement of 400 Million New Shares

Key Items:

- Placing Date: July 10, 2007
- Number of Placing Shares: 400 million. After enlargement, the Company's issued shares will amount to 6,209,286,726
- Placing Price: HK\$5.9. The net placing price, after deducting expenses, is approximately HK\$5.81 per share
- Ranking: The new shares rank in all respects with the existing issued shares of the Company

Appendix 4: Glossary

- **Fertilizer**

- Contains one or multi nutritious elements—mainly nitrogen, phosphor and potassium as well as other organic or inorganic materials made from basic elements that are required by plants. By adding to the soil or other media, fertilizers can provide nutrition absent in natural environment or damaged due to farming or grazing or due to such physical process as dissolution and erosion

- **Potassium Fertilizer**

- Fertilizer containing potassium (symbol of element: K) is usually called potassium fertilizer, which generally is used at the time of seeding. Potassium ion is absorbed and retained by soil and is not easy to be dissolved and lost. Potassium fertilizer is closely related to the generation, transmission and accumulation of sugar content in plants. Potassium fertilizer is also helpful in maintaining the electricity balance within the cells of plants and is incremental in enhancing the endurance and resistance to water disaster and disease/insect pests

- **Phosphate Fertilizer**

- Fertilizer containing phosphor (symbol of element: P) is usually called phosphor fertilizer, which can facilitate plants to take root, blossom and bear fruits

- **Nitrogen Fertilizer**

- Fertilizer containing nitrogen (symbol of element: N) is usually called nitrogen fertilizer. Nitrogen is a key component of protein and chlorophyll. It's of great significance in enhancing production of crops



Appendix 4: Glossary (continued)

- **Compound Fertilizer**

- Compound fertilizer can provide blended nutrients based on requirements of crops and by combining soil and weather conditions. Compound fertilizers at least contain two of the three key nutritious elements—nitrogen (N), phosphate (P) and potassium (K)

- **Nutrients per 1 million tons of fertilizers**

- refers to the ratio between consumption of fertilizer with 100% effective nutrients and production

- **Pesticide**

- refers to chemical compounds or compounds or their preparations made from natural substances used to prevent, eradicate or control disease, pests, grass and other harmful organisms to agriculture and forestry and purposely adjust the growing of plants and insects

- **Seed**

- is a unique, irreplaceable and the most fundamental production material of farming. It's an important carrier for agricultural technology and various farming production means to play roles. It's the intrinsic cause of increase in farm produce. Seeds are made up of various substances where the most important one is the genetic gene

