SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

FINANCIAL HIGHLIGHTS

- The Group's turnover was RMB45,393 million, up 59.94% year on year
- Net profit attributable to shareholders was RMB1,913 million, up 198.30% year on year
- Basic earnings per share was RMB0.2739, up 156.30% year on year
- The Board recommended the payment of a final dividend of HK$0.0464 per share (approximately RMB0.0409 per share)
- Number of distribution centers and sales outlets increased to 2,010 (2007: 1,672)
- The Group's total fertilizer production capacity amounted to 10.16 million tons, up 29.43%

CHAIRMAN'S STATEMENT

Dear Shareholders,

In the unforgettable year of 2008, Sinofert Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") overcame tremendous challenges caused by high volatility of the fertilizer market and the financial crisis, and achieved new breakthroughs in strategic growth and excellent business results thanks to the support of all the shareholders. Hereby I would like to present to you the annual results of the Group for the year ended 31 December 2008.

In 2008, the Group continued to carry forward the strategy of "centering on marketing and distribution and expanding into both production and network distribution". Sales volume for the year increased by 7.94% to 16.22 million tons over that in 2007; turnover reached RMB45,393 million, up by 59.94%; net profit attributable to shareholders rose to RMB1,913 million, up by 198.30%; and earnings per share was RMB0.2739, up by 156.30%.

In consideration of the overall financial situation, cash-flow and future business developments of the Group, the Board of Directors of the Company (the "Board") proposes the payment of a final dividend of HK$0.0464 per share (approximately RMB0.0409 per share) for the financial year ended 31 December 2008, which is 68.12% more than that for 2007.

In 2008, the Group successfully completed the acquisitions of Jilin Fertilizer and Pesticide Group Co. Ltd (currently known as "Sinochem Jilin Changshan Chemical Co. Ltd") and Shandong Deqilong Chemical Industry Company Limited (currently known as "Sinochem Pingyuan Chemical Co. Ltd"), and the acquisitions of equity interest in Qinghai Salt Lake Potash Co., Ltd ("Qinghai Salt Lake"), Tianji Sinochem Gaoping Chemical Engineering Company Ltd ("Tianji-Sinochem") and Sinochem Shandong Fertilizer Company Limited ("Sinochem Shandong") held by Sinochem Corporation. This has greatly strengthened the Company's industrial base and production capacity. As of 31 December 2008, total fertilizer production capacity of the Group's subsidiaries and affiliated production enterprises increased to 10.16 million tons, making the Group the largest fertilizer producer in China.

The Group continued to strengthen the strategic cooperation with major international fertilizer suppliers, and consolidated our market position as the largest fertilizer importer in China, with potash import by the Group accounting for more than half of the national total import. In the year, the Group further enlarged the supply system of domestically produced fertilizers and improved our ability for supply service. The sales volume of domestically produced fertilizers increased to 11.33 million tons, up by 33.74% over the corresponding period of last year, and accounting for 69.85% of the total sales volume.

The Group continued to push ahead the strategy of "building distribution centers in agricultural counties", and the number of distribution centers expanded to 2,010 as of 31 December 2008. The Group's distribution network has almost completed nationwide coverage, covering over 90% of the country's total arable land area. With improved services for the end-users, the sales volume of fertilizers through the distribution network increased to 11.33 million tons, up by 15.77% year on year. The customer base of the distribution network was further strengthened, with township-level customers making up over 80% of the total customer base. In addition, the operations of the distribution network was further standardized which improved the operational quality and effectiveness.

The Group also endeavored to fulfill its social responsibilities in terms of energy saving, ecological and environmental protection, and organising activities for the public welfare of the farmers. Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd realized quasi-zero waste water emission and set up an example for "green chemical production." The Group established a joint venture, Yara-Sinochem Environmental Protection Co., Ltd, with YARA to develop an environmental friendly chemical industry. In the wake of the snow-storm and the catastrophic earthquake, the Group donated both in kind and in cash to the people and enterprises in the disaster-stricken areas. In addition, the Group carried out various agrichemical workshops and setup model villages to promote scientific fertilization among the farmers, further enhancing the social responsibility model of the Company.

Working to maximize shareholders' value, the Board has continuously improved corporate governance to bring into place a highly effective, standardized and rational governance mechanism for scientific decision making. In compliance with the Code on Corporate Governance Practices as required by the Stock Exchange of Hong Kong Limited, the Company held four regular meetings of the Board in 2008, at which the annual report, interim report, dividend policy, corporate development strategy and other issues were reviewed and approved. Meanwhile, at other meetings, the Board also examined other important matters such as connected transactions. The Audit Committee, Remuneration Committee and Nomination Committee have also exercised their rights delegated by the Board and fulfilled their obligations in their respective works of enhancing internal control, optimizing remuneration and incentives programs and improving the governance structure of the Company.

At present, the financial crisis continues to widen and deepen the impact on the global economy. The Chinese government has adopted a series of positive economic stimulus plans, and in particular, initiated more favourable policies to spur the rural sector. This year, the central government plans to allocate as much as RMB716.1 billion to the rural sector, which is RMB120.6 billion more than the previous year, or up by 20% year on year. In addition, the government has continuously raised the minimum purchase prices for grains in the past few years. All these measures have helped to bolster the income of the farmers and the utilization efficiency of farming land. Consequently, the trend of farming scale and intensive farming has maintained a high-momentum.

At the same time, population in China is still increasing, and food consumption pattern is diversifying. The demand for grains is growing at a steady pace, which boosts the continuous increase in fertilizer consumption. In 2009, China will provide a total of RMB123 billion in various rural subsidies for the farmers, which is a rise of about 20% over the last year. In particular, the increase in direct subsidy for agricultural inputs will encourage more fertilizer application. From the viewpoint of fertilizer industry, the relaxing of fertilizer pricing control and the reduction of the overall export taxes of fertilizers by the government have created a more favorable environment for the fertilizer industry.

We believe there are more opportunities than challenges ahead of us. In 2009 the Group will continue to push forward the strategy of "centering on marketing and distribution and expanding both into production and distribution" for synergic growth. We will further optimize internal control, consolidate our industrial base, improve the supply systems, enhance the quality of our distribution network, expand our market share, and strive to fulfill our business goals. The Group commits to create higher returns for the shareholders and wealth for society, and to an important role in ensuring food security of the country.

On behalf of the Board, I would also like to take this opportunity to extend our heartfelt appreciations to the shareholders, the management and all the employees, as well as our customers and friends who have contributed to the growth of the Group. We hope to have the continued support from our shareholders, and that the Sinofert Team will keep going ahead and overcoming all the difficulties to achieve ever better results.

Liu De Shu
Chairman of the Board

Hong Kong, 24 March 2009

MANAGEMENT REVIEW AND PROSPECT

The year 2008 witnessed unprecedented fluctuations in global fertilizer markets unseen over the past decade. From the beginning of the year, fertilizer prices climbed higher and higher stimulated by the soaring cost of petroleum, natural gas and sulphur as well as market demand. Urea prices moved from US$390 per ton in January to the highest level of US$820 per ton in August, up by over 110%; and during the same period, the prices of diammonium phosphate ("DAP") also soared to US$1,200 per ton from US$600 per ton, up by 100%. However, by September, fertilizer prices dived under the impact of the financial crisis. By the end of 2008, urea prices plunged to as low as US$210 per ton, and DAP prices to US$380 per ton, which were at the same level as in the beginning of 2007 when this round of price hike started. It was the same scenario in the Chinese domestic fertilizer market. Urea prices rose from RMB1,850 per ton in the beginning of the year to RMB2,600 per ton in August and dropped to RMB1,600 per ton by the end of the year, and DAP prices surging from RMB3,800 per ton to RMB5,000 per ton and down to RMB2,800 per ton by the end of the year. With such sharp fluctuations in price, market demand also slumped. The fertilizer industry was challenged by unprecedented difficulties.

In 2008, the Group successfully overcame the difficulties caused by changeable market situations and deteriorating business environment through adopting positive and effective countermeasures and readjusting operation strategies in a timely manner. Under the correct leadership of the Board of Directors, the Group made great endeavors to stabilize the market and minimize business risks, and achieved strategic breakthroughs and record high business results.

Financial Highlights

In 2008, the Group's turnover rose to RMB45,393 million, up by 59.94% year on year; net profit attributable to shareholders surged by 198.30% to RMB1,913 million, and earnings per share was up by 156.30% to RMB0.2739.

Product Operations

In 2008 the Group's sales volume increased by 7.94% year on year to 16.22 million tons, which had further consolidated the Group's market position as the largest fertilizer distributor and service provider in China.

Potash Operations: Coping with the adverse situation of a US$400 unit price hike for imported potash fertilizers and slumping potash market demand, the Company realized potash sales of 4.03 million tons, which accounted for over 55% of the potash market share in China. The Company's leading position was further strengthened. Meanwhile, by providing tailor-made product mix to better serve the needs of the customers, the Company's potash operations also promoted the sales of nitrogen, phosphate and compound fertilizers.

Nitrogen Operations: The Group has established a stable marketing model by capitalizing on the synergic effect of alliances with suppliers, the expansion of self-owned production capacity and the advantages of the distribution network. Sales volume of nitrogen fertilizers rose by 29.04% year on year to 6.0 million tons. Meanwhile, the expansion of ammonium chloride has contributed to a new growth segment for the nitrogen business.

Phosphate and Compound Fertilizer Operations: By expanding the base of core suppliers and the base of township-level customers and industrial end-users, the Group's phosphate and compound fertilizer business volume and market influence were both improved. The sales volume of phosphate fertilizers and compound fertilizers reached 2.94 million tons and 2.53 million tons, up by 35.5% and 30.09% year on year, respectively.

Sulphur Operations: The Group seized the good opportunities when sulphur prices skyrocketed in the international market during the first half of 2008 and ensured product supply. During the second half of the year the Group adopted precautious measures well in advance and successfully avoided the risks caused by a plunging sulphur market.

Pesticide Operations: The business model of pesticide operations was shifted from direct wholesaling to network distribution, which had proven to be a success. Turnover of pesticide in 2008 increased by 39.21% year on year to RMB149 million, which shows that the integration business model of various agricultural inputs is viable and competitive.

Production

In 2008 the Group successfully completed the acquisitions of Sinochem Jilin Changshan Chemical Co. Ltd ("Sinochem Changshan") and Sinochem Pingyuan Chemical Co. Ltd ("Sinochem Pingyuan"), and the purchase of equity interest in Salt Lake Potash, Tianji-Sinochem and Sinochem Shandong Fertilizer held by Sinochem Corporation, and set up the joint venture Yara-Sinochem Environmental Protection Co., Ltd with YARA. By the end of 2008, total fertilizer production capacity of the Group's subsidiaries or affiliated production enterprises increased to 10.16 million tons, making the Group the largest fertilizer producer in China. This has greatly strengthened the Company's industry position and influence.

In 2008 the Group also made continuous progress in energy saving and ecological protection. By initiating lean management among the subsidiary production enterprises, the Group devoted huge efforts to save energy, reduce emissions, and lower energy consumption. Through the efforts made in the past few years, Sinochem Fuling achieved quasi-zero waste water emission, which was widely reported by 13 major mass media organizations as an example for "green chemical production" in the fertilizer industry.

Network Distribution

In 2008 the Group continued to push ahead the strategy of "building distribution centers in agricultural counties," and the number of distribution centers expanded to 2,010, with 338 newly added. The Company's nationwide distribution network has been basically in shape, with its service capabilities significantly enhanced.

In addition, huge efforts were made to standardize the operation procedures of the distribution network for improved operating quality and efficiency by clearly defining and quantifying the six major functions of the distribution network. In this work top priority was given to "promote sales, enhance brand image and create value." As a result, the sales volume of fertilizers through the distribution network increased to 11.33 million tons, up by 15.77% year on year. The customer base of the distribution network was also consolidated and the customer structure optimized. Among the 32,000 customers having trading relations with the Group during the year, the ratio of township-level customers increased to 82% from 77% at the beginning of the year.

Internal Control and Management

The Group has always given top priority to the protection of shareholders' asset value. Before the outbreak of global financial crisis, the Group had completed risk management system accreditation in May 2008, including the assessment on the operation effectiveness of the risk management culture, internal control system, and various work flows and business operating processes. The Group has made further improvement on risk management mechanism, laying a solid foundation against global financial crisis. In the meantime, the Group has adhered to a sound financial policy, keeping balanced financing structure and stable assets liabilities ratio in the fast assets growing period. The Group has established strategic cooperation with Postal Savings Bank of China, which has wide range of rural saving outlets, and fully utilized different financing channels to meet capital requirements. It is to be mentioned that, facing the fast changes of government policy and market conditions, the Group has made timely adjustment on its financing strategy and effectively reduced capital cost.

Corporate Social Responsibility

In 2008, the Group carried out many new activities in the respect of fulfilling corporate social responsibility. In the same year, the Group held over 4,200 agrichemical service activities, including fertilization skill lectures, field instruction, etc. The Group has set up more than 1,000 "Sinofert Scientific Fertilizing Pilot Villages". In particular, the Group, together with the Ministry of Agriculture jointly built 114 "model villages" in seven southern provinces and held "workshops to guide the farmers for scientific fertilization" in 128 counties of ten provinces including Shandong and Henan.

In the struggle of fighting against serious natural disasters, the Group actively donated fertilizers and money to Guangxi and Hubei which were hit by frosting weather and heavy snowstorms, and to the Sichuan earthquake victims and affected companies. In addition, the Group co-organized the large public benefit activity of "Poverty Alleviation Program around Old Revolutionary Base Areas" with poverty alleviation office of the State Council, leading more than ten enterprises to donate a large amount of fertilizers, seeds, medicines and books to old revolutionary base areas in ten provinces.

In 2008, the Group compiled and released its first Corporate Social Responsibility Report, presenting the social responsibilities the Group undertakes and soliciting public scrutiny. This report is the first of its kind ever released in China's agricultural inputs industry.

Strategic Planning

In later 2008, facing the deteriorating economy affected from global financial crisis, the Group successfully carried out the yearly revision work of the Three-Year (2009-2011) Strategic Development Plan (the "Plan") on the basis of a thorough analysis of the trend of China agriculture development, industrial opportunities and summarization of the strategy transformation experiences over the past ten years.

According to the Plan, the Group will continue to push forward the strategy of "centering on marketing and distribution and expanding into both production and network distribution", to push forward "the transformation from distribution servicing company to production enterprise". The Group will further consolidate its production foundation, to strengthen subsidiary production enterprises integration, cooperation and operation management, and to improve profit contribution by the production sector. The Group will constantly improve distribution network layout and push forward the standardization work so as to strengthen the competitive edge of the network and to achieve the goal of "improving services for increased sales and enhancing brand image for value added". The group will also continue to enhance internal control and management system under the guidance of the COSO framework to ensure safe operations.

Outlook

While the ongoing financial crisis is still exerting a deepening impact on the economy, the basis for and long-term trend of the Chinese economy maintaining stable and relatively fast growth has not changed. The next few years will be an important period for the Group to grasp opportunities for sustained development. The Chinese government has attached utmost top priority to the agricultural sector, and constantly adopted favorable policies to support agriculture. There are many positive factors that will contribute to a favorable macro-environment for the long-term development of the fertilizer industry and the Group, such as increasing fiscal input into the rural sector by the central government, the sustainable growth of agriculture, the progress in the building of socialist new countryside, rising farmers' income level, and enthusiasm of the farmers in grain planting. The state adopted policies to allow the exchanges of rural land to promote farming of scale. This will provide an important opportunity for the Group which boasts a nationwide distribution network to further expand our market share. In addition, the state adopted a series of policies to promote the sustainable growth of the fertilizer industry, relaxed controls on fertilizer pricing and lowered the export taxes of fertilizer products. All these measures have helped to strengthen the market mechanism of the fertilizer industry, which will benefit the Group in bringing into full play its comprehensive advantages and further improving its potential for sustainable growth.

In 2009 the Group will, under the leadership of the Board, continue to work for maximizing shareholders' value, and keep forging ahead along the strategy of "centering on marketing and distribution and expanding into both production and network distribution." We will strive to consolidate our industrial base, enhance the competitiveness of the distribution network, and do our best in operations, internal control and lean management. We are committed to fulfill our business goals, bring about higher returns for the shareholders, and struggle for the course of building the Company into China's largest, and a globally leading, comprehensive service provider of agricultural inputs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the twelve months ended 31 December 2008, sales volume of the Group reached 16.22 million tons, turnover was RMB45,393 million, representing an increase of 7.94% and 59.94%, respectively, over the corresponding period of 2007.

For the twelve months ended 31 December 2008, gross profit of the Group reached RMB3,401 million yuan and net profit attributable to shareholders was RMB1,913 million, representing an increase of 24.11% and 198.30%, respectively, over the corresponding period of 2007. Excluding the change in fair value of derivative component of the convertible loan notes, net profit attributable to shareholders in 2008 would be RMB1,749 million, which represented a year-on-year increase of 29.12%.

I. Operation Scale

1. *Sales Volume*

For the twelve months ended 31 December 2008, sales volume of the Group reached 16.22 million tons, up by 7.94% over the corresponding period of 2007. Among which, mainly because of the decrease of imported potash in 2008, the sales of imported fertilizers was 4.17 million tons, down by 29.86% over the corresponding period of 2007; and the sales of domestic fertilizers was 11.33 million tons, up by 33.74% as compared with the same period of last year.

In terms of product structure, due to the decrease of imported potash, sales volume of potash suffered a 28.72% year-on-year decrease, but still accounted for 55% of the imported potash market in China. At the same time, the Group strengthened its domestic fertilizer business in 2008. The acquisitions of Sinochem Pingyuan and Sinochem Changshan further guaranteed supply for the downstream distribution and considerably enhanced its influence in some geographic markets. Sales volume of nitrogen fertilizers was up by 29.04%, the market share and influence of which were further enhanced. By relying on the phosphate production base, the Group seized the market opportunities brought by the tight supply in the international market in the first half of 2008 to expand its exports while in the second half when the market slumped, the Group maintained a rather high utilization rate of the production facilities by making use of its advantage in the distribution network. Sales of phosphate fertilizers and compound fertilizers increased by 35.50% and 30.09% year on year respectively.

2. *Turnover*

For the twelve months ended 31 December 2008, turnover of the Group reached RMB45,393 million, up by RMB17,011 million over the corresponding period of 2007, rising by 59.94%, which was higher than the 7.94% increase of sales volume. This was mainly attributable to the surge of prices in fertilizers market in 2008. The Group's average selling price was 48.18% higher compared with the same period of last year.

Table 1:

	For the twelve months ended 31 December			
	2008		2007	
	Turnover *RMB'000*	**As percentage of total turnover**	Turnover *RMB'000*	As percentage of total turnover
Potash fertilizers	**16,124,676**	**35.52%**	11,914,828	41.98%
Nitrogen fertilizers	**10,727,916**	**23.63%**	6,872,858	24.22%
Compound fertilizers	**7,557,203**	**16.65%**	3,979,269	14.02%
Phosphate fertilizers	**8,565,045**	**18.87%**	4,525,234	15.94%
Others	**2,418,045**	**5.33%**	1,089,500	3.84%
Total	**45,392,885**	**100.00%**	28,381,689	100.00%

II. Profit

1. Gross profit

For the twelve months ended 31 December 2008, gross profit of the Group was RMB3,401 million, representing an increase of RMB661 million or 24.11% year on year.

The Group adopted different strategies for different products:

(1) The potash business continued to enjoy a stable profit margin because of the stable supply for the domestic market with carryover inventories from the previous year, and increased sales of agricultural-use potash fertilizers to grass-roots' level customers and direct sales to industrial end-users;

(2) By consolidating the core supplier system for sufficient product supply and sales volume, and speeding up turnover as well as adopting specific sales strategies to different regional markets, the Group's nitrogen business achieved a higher profit margin;

(3) Since the second half of 2008, the whole phosphate and compound fertilizer industry in China was adversely affected by the plummeting fertilizer prices, and suffered heavy losses. The profit margin of the Group's phosphate and compound fertilizer business also declined considerably compared with the same period of the previous year. Thanks to the Group's business strategy of "centering on marketing and distribution and expanding into both production and network production", the sales volume of phosphate and compound fertilizers through the distribution network increased, which in turn helped to lower production cost by maintaining high operating capacity of the Group's upstream production enterprises. By vigorously reducing inventory level, and providing inventory provisions at the end of the year, such a negative effect was basically minimized in the year 2008.

In general, the Group's profitability continued to maintain at a stable level.

2. Share of results of jointly controlled entities, share of results of associates and discount on acquisition of a subsidiary

Share of results of jointly controlled entities: For the twelve months ended 31 December 2008, the share of results of jointly controlled entities of the Group was RMB18 million, which was mainly from the production enterprises such as Hubei Sinochem Orient Fertilizer Co., Ltd, Guiyang Sinochem Kailin Fertilizer Co., Ltd, Yunnan Three Circle-Sinochem-Cargill Fertilizer Co., Ltd and Guansu Wengfu Chemical Co., Ltd. This was RMB36 million less, or down by 66.67% than that of RMB54 million for the year ended 31 December 2007. The major reason was a sharp fall in the prices of phosphate and compound fertilizers caused by the crash of the international sulphur market, which resulted in heavy losses of the production enterprises during the fourth quarter. Consequently, the profit contributed by the production enterprises to the Group for the year shrank.

Share of results of associates: For the twelve months ended 31 December 2008, the share of results of associates of the Group amounted to RMB104 million, which was mainly from Qinghai Salt Lake.

Discount on acquisition of a subsidiary: For the twelve months ended 31 December 2008, a discount on acquisition of a subsidiary of the Group of RMB214 million was recorded as a result of the acquisition of Sinochem Changshan in the second half of 2008. Due to the impact of debt restructuring and land revaluation, the discount on acquisition of RMB214 million was resulted.

3. Income tax expense

For the twelve months ended 31 December 2008, income tax expense of the Group was RMB176 million, and the effective tax rate was 8.46%. Excluding the change in fair value of derivative component of convertible loan notes, the effective tax rate for 2008 was 9.18%, while the effective tax rate for 2007 was 18.70%. The reduction of effective tax rate in 2008 was mainly attributable to the decrease of 8 percentage points in PRC enterprise income tax rate from 33% for the year of 2007 to 25% for the year of 2008. In addition, there was an increase of RMB282 million of non-assessable income in 2008 arising from share of results of associates, share of results of jointly controlled entities and a discount on acquisition of a subsidiary.

The subsidiaries of the Group were registered in China mainland, Macao and Hong Kong, respectively, where profit tax rates vary. Among them, the tax rate of China mainland is 25%, the Group's profit derived from Macao is exempted from profit tax, while Hong Kong profits tax rate is 16.5%. The Company strictly complies with the taxation laws of the three jurisdictions and pays taxes accordingly.

4. Net profit attributable to shareholders and net profit margin

For the twelve months ended 31 December 2008, the Group's net profit attributable to shareholders reached RMB1,913 million, up by 198.30% or RMB1,271 million more than that in 2007. This was mainly attributable to the increase in sales volume by 7.94% and the increase in gross profit by RMB661 million. In addition, the change in fair value of derivative component of convertible loan notes for the twelve months ended 31 December 2008 increased the Company's profit during the reporting period by RMB163 million, while the same factor for the twelve months ended 31 December 2007 reduced the Company's profit by RMB714 million in 2007.

For the twelve months ended 31 December 2008, the net profit margin was 4.21%, which represented stable profitability of the Group.

III. Expenditures

Selling and distribution expenses for the twelve months ended 31 December 2008 was RMB688 million, up by RMB102 million or 17.30% over that of RMB586 million in 2007. Such increase was mainly attributed to the proportionate increase in logistic costs, such as costs for transportation and warehousing, as a result of the increase in sales volume in 2008.

Administrative expense for the twelve months ended 31 December 2008 was RMB544 million, up by RMB268 million or 97.09% over that of RMB276 million for the corresponding period of 2007. This was mainly attributable to an increase of RMB128 million in administrative expense incurred as a result of the acquisition of Sinochem Pingyuan and Sinochem Changshan during the period, and the increase in consultancy fees and stamp duties of RMB46 million for those acquisitions in 2008 as well as increases in staff expenses and rental expenses as a result of expansion of the distribution network.

Finance cost for the twelve months ended 31 December 2008 was RMB295 million, which was close to the RMB280 million for the corresponding period of 2007. In 2008, the increase in sales volume actually led to an increase in scale of financing. However, the Group was able to effectively minimize the finance costs by adjusting financing strategies from time to time according to market and policy changes. As a result, the finance cost in 2008 was basically the same as that in 2007.

IV. Other Expenses

For the twelve months ended 31 December 2008, the Group's other expenses amounted to RMB592 million, which represented an increase of RMB581 million over that of RMB11 million for the corresponding period of 2007. During the second half of 2008, the prices of fertilizers, in general, fell sharply under the impact of the financial crisis. An adjustment of RMB485 million in provisions for impairment of inventory was made for the year ended 31 December 2008 according to requirements of applicable accounting principles.

V. Cash Flow

Cash inflow of the Group for the twelve months ended 31 December 2008 was RMB40 million, which includes:

1. A cash outflow from operating activities of RMB1,853 million mainly resulted from the increase in inventories;

2. A cash outflow from investment activities of RMB5,996 million, including RMB4,897 million for acquisitions of associates, RMB613 million for purchase of property, plants and equipment, RMB619 million for acquisitions of subsidiaries and available-for-sale investments, RMB182 million for investment in a jointly controlled entity, RMB178 million from dividend income, RMB33 million from interest income and RMB103 million from disposal of a subsidiary and available-for-sale investments;

3. A cash inflow from financing activities of RMB7,889 million, including net proceeds of RMB4,660 million received from issue of new shares, RMB11,024 million from new bank borrowings, RMB24 million from government subsidy, RMB7,341 million for repayments of bank loans, RMB287 million in interest expense, and RMB190 million in dividend payment.

VI. Inventory Turnover

The inventory balance of the Group as at 31 December 2008 was RMB11,570 million, increasing by RMB4,865 million or 72.54% from RMB6,705 million as at 31 December 2007, mainly due to increased inventory volume and unit cost.

Inventory turnover day[(note)] was 78 days, remained the same as that of 2007.

In terms of inventory structure, potash inventory accounted for 65.88% of the total. As potash fertilizer is a core commodity of the Group and China is lacking in potash resources, it is of great significance for the Group to keep a relatively large-scale potash inventory for ensuring domestic supply and profitability of the Group.

Note: 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.

VII. Trade and Bills Receivable

The balance of the Group's trade and bills receivable as at 31 December 2008 was RMB2,229 million, down by RMB1,019 million from that of RMB3,248 million as at 31 December 2007. This was mainly because of the decrease of bills discounted to banks.

As the 59.94% increase in turnover over the corresponding period in 2007 was higher than the growth rate of the balance of the trade and bills receivable, trade and bills receivable turnover day[(note)] decreased from 15 days in 2007 to 10 days in 2008.

Note: Calculated on the basis of average trade and bills receivable balance excluding bills discounted to banks as at the end of the reporting period divided by turnover, and multiplied by 360 days.

VIII. Interests in Jointly Controlled Entities

As at 31 December 2008, the balance of the Group's interests in jointly controlled entities was RMB793 million, increasing by 37.14% over that of RMB578 million as at 31 December 2007. This was mainly caused by:

1. an increase in investment of RMB209 million in Tianji Sinochem Gaoping Chemical Engineering Co., Ltd.;

2. an increase in investment of RMB32 million in Gansu Wengfu Chemical Co., Ltd.;

3. an increase of RMB18 million of interests arising from applying the equity method of accounting;

4. the reduction in value of investment in Yunan Three Circle-Sinochem-Cargill Fertilizer Co., Ltd. upon receipt of dividend payment of RMB35 million; and

5. a decrease of RMB9 million of investment caused by the disposal of Sinochem Tianji Trading Co., Ltd. and transfer of Hubei Sinochem Orient Fertilizer Co., Ltd. from a jointly controlled entity to a subsidiary.

IX. Interests in Associates

The balance of the Group's interests in associates as at 31 December 2008 was RMB7,063 million, which was mainly attributed to:

1. RMB6,739 million paid for the aquisition of the 18.49% equity in Qinghai Salt Lake, RMB210 million arising from revaluation of its consideration on the completion date; RMB170 million of dividends for the year 2007 received from Qinghai Salt Lake, and RMB104 million of investment returns generated from the completion date up to 31 December 2008.

2. RMB180 million paid for acquisition of 30% equity interests in Guizhou Xinxin Industrial and Agricultural Trading Co., Ltd. by Sinochem Fuling.

X. Available-for-Sale Investments

As at 31 December 2008, the balance of the Group's available-for-sale investments was RMB502 million, while the figure as at 31 December 2007 was RMB1,178 million. The decrease of RMB676 million or 57.39% was mainly caused by:

1. the Group sold 10.22 million shares of Shandong Luxi Chemical Industry Co., Ltd. in March 2008, thus reducing RMB22 million of available-for-sale investments;

2. share depreciation of RMB679 million as a result of the revaluation of shares held by the Group as at 31 December 2008 in the listed companies including China XLX Fertiliser Ltd., Shandong Luxi Chemical Industry Co., Ltd., Shandong Hualu Hengsheng Chemical Co., Ltd. based on their fair value and number of shares held by the Group as at 31 December 2008.

XI. Prepayments to Ultimate Holding Company

As at 31 December 2007, the balance of the Group's prepayments to ultimate holding company was RMB2,100 million, representing the 30% deposit of the consideration for acquisitions of equity interests in the three fertilizer enterprises from Sinochem Corporation, the ultimate holding company of the Company, in accordance with the relevant acquisition agreements. In 2008, the amount was transferred to the interests of jointly controlled entities and interests in associates, respectively.

XII. Long and Short-Term Loans

As at 31 December 2008, the balance of the Group's long-term loans was RMB983 million, up by RMB290 million or 41.85% over that of RMB693 million as at 31 December 2007. This was mainly caused by Sinochem Fuling's expansion project (0.2 million ton ammonium and 0.2 million ton urea) and the Sinochem Pingyuan's technical renovation project.

As at 31 December 2008, the balance of short-term loans was RMB7,536 million, up by RMB4,043 million as compared with RMB3,493 million as at 31 December 2007. This was mainly the result of increase in scale of sales and inventory in 2008, which boosted the demand for operating fund.

XIII. Trade and Bills Payables

As at 31 December 2008, the balance of the Group's trade and bills payables was RMB4,163 million, increasing by RMB2,088 million from that of RMB2,075 million as at 31 December 2007. This was mainly due to an increase in purchasing volume corresponding to the expansion of operation.

XIV. Convertible Loan Notes

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

For the year ended 31 December 2008, the notes with total face value of HK$288 million were settled, of which, face value of HK$278 million was converted into 74,371,652 ordinary shares of HK$0.1 par value per share of the Company; face value of HK$10 million was settled in cash, amounting to approximately HK$15 million (equivalent to approximately RMB13 million) paid in cash. As at 31 December 2008, the total face value of outstanding loan notes was HK$620 million.

According to related accounting standards in Hong Kong, the Company appointed Jones Lang LaSalle Sallmanns Limited for an independent assessment on fair value of the outstanding convertible loan notes. According to the assessment result and relevant clauses of the convertible loan notes, the gain arising on settlement of convertible loan notes, the gain arising on change in fair value of derivative component of the convertible loan notes and the finance cost amortized to the convertible loan notes was RMB2 million, RMB163 million and RMB40 million, respectively, which were recorded in the consolidated income statement for the year.

XV. Other Financial Indicators

Basic earnings per share (EPS) for the twelve months ended 31 December 2008 was RMB0.2739, increasing by 156.30% over the corresponding period of 2007. Return on equity (ROE) for 2008 was 13.71%, up by 5.17 percentage points as compared with the same period of 2007. This was mainly attributable to the 198.30% increase in net profit attributable to shareholders as compared with the same period of last year.

Table 2:

	2008	2007
Profitability		
EPS (RMB) *(Note 1)*	**0.2739**	0.1069
Return on Equity *(Note 2)*	**13.71%**	8.54%

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

Note 2: Calculated on the basis of net profit attributable to the shareholders of the Company for the reporting period divided by total equity as at the end of the reporting period.

As at 31 December 2008, current ratio was 1.07 and debt-to-equity ratio was 57.89%. Long-term and short-term liquidity remained at a stable and healthy level.

Table 3:

	2008	2007
Solvency		
Current ratio *(Note 1)*	**1.07**	1.46
Debt-to-equity ratio *(Note 2)*	**57.89%**	37.39%

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 (interest-bearing debt does not include discounted and not yet matured bills payables).

XVI. Liquidity and Financial Resources

The Group's principal sources of financing included cash generated from operations, bank borrowings and proceeds from the issue of new shares and bonds. 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 31 December 2008, cash and cash equivalents of the Group were RMB160 million, which was mainly denominated in RMB and US dollar.

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

Table 4:

	As at 31 December 2008 *RMB'000*	As at 31 December 2007 *RMB'000*
Secured	**346,841**	228,001
Unsecured	**8,173,078**	3,957,905
Total	**8,519,919**	4,185,906

Table 5:

	As at 31 December 2008 *RMB'000*	As at 31 December 2007 *RMB'000*
Within one year	**7,536,557**	3,493,406
Within 2-5 years	**853,362**	612,500
Over 5 years	**130,000**	80,000
Total	**8,519,919**	4,185,906

Table 6:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Fixed interest rate	**5,079,805**	2,363,041
Floating interest rate	**3,440,114**	1,822,865
Total	**8,519,919**	4,185,906

As at 31 December 2008, certain property, plant and equipment and prepaid lease payments with carrying amount of RMB510 million and RMB43 million were pledged to secure bank facilities granted to the Group.

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

As at 31 December 2008, the Group had banking facilities of RMB17,537 million, including US$1,065 million and RMB10,258 million. The amount of banking facilities already used was US$607 million and RMB6,565 million and that of unused was US$458 million and RMB3,693 million.

XVII. Operation and Financial Risks

The Group's major operation risks include: uncertainties of the impact on the fertilizer industry resulting from the uncertainties of the upcoming controlling measures despite the announcement on policy reform in the fertilizer industry by the Chinese Government; price fluctuations of the fertilizer market; as well as operating uncertainties caused by governmental influence such as influence in the potash contract negotiations.

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

Market risk

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

Most of the Group's assets, liabilities and transactions are denominated in Renminbi, US dollars and Hong Kong dollars. The exchange rates of Renminbi against US dollars and Hong Kong dollars are relatively stable. The fluctuations of foreign currencies did not have a significant impact on the performance of the Group. In addition, the management kept monitoring and controlling the above risks so as to reduce any potential negative effect on the Group's financial performance.

Credit risk

The highest credit risk the Group confronted with was that the counterparty fails to perform their obligations in relation to each class of recognized financial assets, which have been confirmed and recorded in the consolidated balance sheet as at 31 December 2008. The Group has adequate monitoring procedures in respect of granting credit line, credit approval and other related aspects so as to ensure the timely follow-up of overdue debt so as to greatly reduce the credit risk.

Liquidity risk

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

XVIII. Contingent Liabilities

As at 31 December 2008, the Group had no material contingent liabilities.

XIX. Capital Commitment

Table 7:

	As at 31 December 2008 *RMB'000*	As at 31 December 2007 *RMB'000*
Assets under construction		
Contracted but not provided for	**602,041**	473,000
Authorized but not contracted for	**110,973**	428,786
Total	**713,014**	901,786

XX. Major Investments

As at 31 December 2008, the Group's major investments amounted to RMB5,779 million, among which:

1. RMB4,903 million was used for balance of 70% of consideration for acquisition of equity interests in three fertilizer enterprises from Sinochem Corporation, the ultimate holding company;

2. RMB695 million was used for acquisition of 75% of the equity interests in Sinochem Pingyuan;

3. RMB150 million was used to increase investment in Sinochem Changshan;

4. RMB32 million was used to increase investment in Gansu Wengfu Chemical Co., Ltd.

XXI. Remuneration Policies

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 emoluments payable to Directors are determined with reference to the responsibilities, qualifications, experience and performance of the Directors. They include incentive bonus primarily based on the results of the Group and share options granted under the share option schemes of the Company. The Remuneration Committee performs review on the emoluments of the Directors from time to time. No Director, or any of his associates and executive, is involved in deciding his own emoluments.

The Group reviews its remuneration policy annually and engages professional consultant, if necessary, to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 31 December 2008, the Group had about 11,100 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 2008, the Group provided training for approximately 11,450 employees with approximately 133,000 training hours in aggregate. The training courses covered areas such as lean management, operation and management, legal and regulations, marketing management, finance, logistics, information technology, quality control and production safety. These training 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 competitiveness of the Group.

The board of directors (the "Board") of Sinofert Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008, together with the comparative figures for the last year as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

	Notes	**2008** **RMB'000**	2007 RMB'000 (restated)
Revenue	*4*	**45,392,885**	28,381,689
Cost of sales		**(41,991,515)**	(25,641,079)
Gross profit		**3,401,370**	2,740,610
Other income	*5*	**281,935**	139,743
Distribution and selling expenses		**(687,558)**	(586,136)
Administrative expenses		**(544,280)**	(276,154)
Other expenses		**(591,984)**	(10,525)
Share of results of associates		**104,138**	–
Share of results of jointly controlled entities		**18,311**	54,376
Finance costs		**(294,885)**	(279,604)
Changes in fair value of derivatives		**163,160**	(713,668)
Gain (loss) on settlement of convertible loan notes		**2,440**	(90,348)
Gain on deemed partial disposal of equity interest in a subsidiary		**17,438**	–
Discount on acquisition of a subsidiary		**214,152**	–
Profit before tax		**2,084,237**	978,294
Income tax expense	*6*	**(176,430)**	(316,400)
Profit for the year	*7*	**1,907,807**	661,894
Attributable to			
Equity holders of the Company		**1,912,555**	641,142
Minority interests		**(4,748)**	20,752
		1,907,807	661,894
Dividends			
– Proposed	*8*	**286,727**	187,629
– Paid	*8*	**171,984**	132,330
Earnings per share			
– Basic	*9*	**RMB0.2739**	RMB0.1069
– Diluted	*9*	**RMB0.2490**	RMB0.1065

CONSOLIDATED BALANCE SHEET
At 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000 (restated)
Non-current Assets			
Investment properties		**14,600**	14,600
Long-term assets			
Property, plant and equipment		**4,580,533**	1,224,928
Other long-term assets		**46,801**	–
Prepaid lease payments		**512,240**	130,492
Mining right		**–**	23,759
Interests in associates		**7,063,039**	–
Interests in jointly controlled entities		**792,921**	578,168
Available-for-sale investments		**501,710**	1,177,962
Advance payment to ultimate holding company		**–**	2,099,753
Advance payment for acquisition of property, plant and equipment		**151,827**	133,468
Goodwill		**579,757**	333,829
Deferred tax assets		**189,265**	11,721
		14,432,693	5,728,680
Current Assets			
Inventories		**11,569,643**	6,705,370
Prepaid lease payments		**26,621**	2,831
Trade and bills receivables	*10*	**2,228,667**	3,248,090
Advance payment and other receivables		**1,699,218**	1,801,956
Amount due from ultimate holding company		**–**	7,589
Pledged bank deposits		**7,936**	7,487
Bank balances and cash		**160,302**	115,311
		15,692,387	11,888,634
Current Liabilities			
Trade and bills payables	*11*	**4,163,401**	2,075,189
Receipts in advance and other payable		**1,825,904**	1,789,019
Derivative financial instruments		**199,204**	615,549
Tax liabilities		**320,511**	147,961
Convertible loan notes		**587,166**	–
Borrowings – due within one year		**7,536,557**	3,493,406
		14,632,743	8,121,124
Net Current Asset		**1,059,644**	3,767,510
Total Assets less Current Liabilities		**15,492,337**	9,496,190

	Notes	**2008**	2007
		RMB'000	*RMB'000*
			(restated)
Capital and Reserves			
Issued equity		**8,233,245**	3,078,496
Reserves		**5,718,344**	4,429,346
Equity attributable to shareholders of the Company		**13,951,589**	7,507,842
Minority interests		**418,776**	254,940
Total Equity		**14,370,365**	7,762,782
Non-current Liabilities			
Convertible loan notes		**–**	853,603
Borrowings – due after one year		**983,362**	692,500
Deferred income		**33,267**	8,798
Deferred tax liabilities		**105,343**	178,507
		1,121,972	1,733,408
		15,492,337	9,496,190

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

(a) Business combination under common control

On 20 February 2008, Sinochem Fertilizer Company Limited, a company incorporated in the PRC, an indirectly wholly-owned subsidiary of the Company, has completed its acquisition of 51% equity interest in Sinochem Shandong Fertilizer Company Limited ("Sinochem Shandong"), a limited liability company established in the PRC from Sinochem Corporation 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 merger accounting as set out in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, as if the transfer of the controlling interests in Sinochem Shandong has been completed as at the date of its incorporation. 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 consolidated 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. The comparative figures in these consolidated financial statements are translated from Hong Kong dollars to Renminbi using the closing rates at the relevant balance sheet date for balance sheet items, average rates for the period under review for income statement and cash flow statement and historical rates for the statement of changes in equity.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA) which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK (IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK (IFRIC)-Int 12	Service Concession Arrangements
HK (IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK (IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK (IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK (IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK (IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK (IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[3]
HK (IFRIC) – Int 18	Transfer of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods ending on or after 30 June 2009
5 Effective for annual periods beginning on or after 1 July 2008
6 Effective for annual periods beginning on or after 1 October 2008
7 Effective for transfers on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for non-common control business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company are in the process of making an assessment of the impact of these standards, amendments or interpretations.

3. PRINCIPAL ACCOUNTING POLICIES

The 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 consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2007 except for the accounting policies for business combinations under common control and investments in associates illustrated below, which is applied for the first time during the year.

Combinations under common control of ultimate holding company

Business combinations under common control of the ultimate holding company 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.

Business combination achieved in stages

When a business combination involves more than one exchange transaction, each exchange transaction is treated separately by the Group, using the cost of the transaction and fair value information at the date of each exchange transaction to determine the amount of any goodwill associated with that transaction. Any adjustment to those fair values relating to previously held interests of the Group is credited to the revaluation reserve.

Before qualifying as a business combination, a transaction qualified as an investment in a jointly controlled entity and was accounted for in accordance with HKAS31 Interests in Joint Ventures using the equity method. The fair values of the investee's identifiable net assets at the date of each earlier exchange transaction have benn determined previously in applying the equity method to the investment.

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.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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.

4. SEGMENT INFORMATION

For management reporting purposes, the Group is currently organised into two main operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal operating divisions and their activities are:

Sourcing and distribution	– sourcing and distribution of fertilisers and agricultural related products
Production	– production and sale of fertilisers

Segment information about these businesses is as follows:

(a) Business segments

2008

	Sourcing and distribution *RMB'000*	Production *RMB'000*	Eliminated *RMB'000*	Total *RMB'000*
TURNOVER				
External sales	42,021,100	3,371,785	–	45,392,885
Inter-segment sales	14,231,582	2,754,886	(16,986,468)	–
Total	56,252,682	6,126,671	(16,986,468)	45,392,885

Inter-segment sales are charged at prevailing market rates.

	Sourcing and distribution *RMB'000*	Production *RMB'000*	Eliminated *RMB'000*	Total *RMB'000*
RESULTS				
Segment results	1,900,861	(241,117)		1,659,744
Unallocated corporate incomes				277,504
Unallocated corporate expense				(60,327)
Share of results of associates	–	104,138		104,138
Share of results of jointly controlled entities	–	18,311		18,311
Finance cost				(294,885)
Changes in fair value of derivatives				163,160
Gain on cash settlement of convertible loan notes				2,440
Discount on acquisition of a subsidiary	–	214,152		214,152
Profit before tax				2,084,237
Income tax expense				(176,430)
Profit for the year				1,907,807

	Sourcing and distribution *RMB'000*	Production *RMB'000*	Total *RMB'000*
ASSETS			
Segment assets	13,416,510	7,949,767	21,366,277
Interest in associates	–	7,063,039	7,063,039
Interests in jointly controlled entities	–	792,921	792,921
Available-for-sale investments			501,710
Deferred tax assets			189,265
Unallocated corporate assets			211,868
Consolidated total assets			30,125,080
LIABILITIES			
Segment liabilities	3,937,020	2,073,215	6,010,235
Deferred tax liabilities			105,343
Unallocated corporate liabilities			9,639,137
Consolidated total liabilities			15,754,715
OTHER INFORMATION			
Capital expenditure	10,787	659,768	670,555
Depreciation and amortisation	7,278	180,416	187,694

2007

	(Restated)			
	Sourcing and distribution *RMB'000*	Production *RMB'000*	Eliminated *RMB'000*	Total *RMB'000*
TURNOVER				
External sales	26,414,945	1,966,744	–	28,381,689
Inter-segment sales	455,155	1,281,984	(1,737,139)	–
Total	26,870,100	3,248,728	(1,737,139)	28,381,689

Inter-segment sales are charged at prevailing market rates.

	Sourcing and distribution *RMB'000*	Production *RMB'000*	Eliminated *RMB'000*	Total *RMB'000*
RESULTS				
Segment results	1,884,269	6,002		1,890,271
Unallocated corporate incomes				143,097
Unallocated corporate expense				(25,830)
Share of results of jointly controlled entities	–	54,376		54,376
Finance costs				(279,604)
Changes in fair value of derivatives				(713,668)
Loss on settlement of convertible loan notes				(90,348)
Profit before tax				978,294
Income tax expense				(316,400)
Profit for the year				661,894

	(Restated)		
	Sourcing and distribution *RMB'000*	Production *RMB'000*	Total *RMB'000*
ASSETS			
Segment assets	11,793,856	2,887,096	14,680,952
Interests in jointly controlled entities	–	578,168	578,168
Available-for-sale investments			1,177,962
Deferred tax assets			11,721
Unallocated corporate assets			1,168,511
Consolidated total assets			17,617,314
LIABILITIES			
Segment liabilities	2,567,453	1,302,280	3,869,733
Deferred tax liability			178,507
Unallocated corporate liabilities			5,806,292
Consolidated total liabilities			9,854,532
OTHER INFORMATION			
Capital expenditure	7,129	199,252	206,381
Depreciation and amortisation	7,002	86,772	93,774

(b) Geographical segments

In respect of geographical segments, turnover and segment results are based on the country in which the customers are located. No geographical analysis is provided as less than 10% of the Group's turnover and results are attributable to markets outside the PRC. Total assets and capital expenditure are where the assets are located. No geographical analysis is provided as less than 10% of the Group's assets and capital expenditure located outside the PRC.

5. OTHER INCOME

	2008	2007
	RMB'000	*RMB'000*
		(restated)
Rental income	**2,017**	2,020
Dividend income from available-for-sale investments	**7,527**	7,055
Interest income from bank deposits	**32,734**	33,893
Government grants *(Note a)*	**58,917**	69,717
Exchange gain *(Note b)*	**31,325**	2,662
Gain on disposal of available-for-sale investments	**62,593**	–
Gain on disposal of prepaid lease payments	**9,512**	–
Compensation received	**11,512**	7,243
Sales of scrapped materials	**48,028**	7,922
Others	**17,770**	9,231
	281,935	139,743

Notes:

(a) The amounts in 2007 and 2008 mainly comprised income tax refund in respect of using dividends to reinvest in the entity in the PRC by foreign investor in accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises and the amount in 2008 also included government subsidies related to the Group's operations in the PRC.

(b) The exchange gain has mainly been arising from the trade creditors and borrowings denominated in US dollar to purchase raw materials.

6. INCOME TAX EXPENSE

	2008	2007
	RMB'000	*RMB'000*
		(restated)
Current tax		
Hong Kong Profits Tax	**28,670**	19,573
PRC enterprise income tax	**324,825**	313,013
	353,495	332,586
Deferred taxation		
Current year	**(177,065)**	(17,702)
Attributable to a change in tax rate	**–**	1,516
Taxation attributable to the Company and its subsidiaries	**176,430**	316,400

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profit tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations has changed the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

Sinochem Chongqing Fuling Chemical Fertilizer Company ("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.

According to the New Law, the profits of the PRC subsidiaries of the Group derived since 1 January 2008 will be subject to withholding tax at a rate of 10% for foreign investors. The Group determined that no deferred withholding tax liabilities shall be recognised in respect of the profits of the PRC subsidiaries for the year ended 31 December 2008 since the Group has no plan to distribute such profits in the foreseeable future.

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 year.

7. PROFIT FOR THE YEAR

	2008	2007
	RMB'000	*RMB'000*
		(restated)
Profit for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**167,945**	91,509
Release of prepaid lease payments	**14,827**	2,265
Amortisation of other long-term assets	**4,922**	–
Auditors' remuneration	**11,211**	7,841
Directors' emoluments	**11,825**	9,836
Staff benefits *(Note a)*	**322,949**	166,090
Total employee benefits expenses	**334,774**	175,926
Minimum lease payments under operating lease in respect of properties	**35,863**	23,492
Direct operating expenses arising from investment properties that generate rental income	**444**	389
Provision (reversal of provision for impairment) for impairment of receivables	**129**	(93)
Loss on disposal of property, plant and equipment	**1,191**	4,105
(Gain) loss on disposal of land use right	**(9,512)**	1,989
Write-down (reversal of write-down) of inventories *(Note c)*	**484,923**	(8,726)
Donation to water supply fund *(Note b)*	**100,000**	–

Note a: Included in staff benefits are share-based payments and contribution to retirement benefits scheme for the year of RMB3,876,000 (2007: RMB5,887,000) and RMB29,201,000 (2007: RMB18,371,000) respectively.

Note b: During the year, the Company's PRC subsidiary has made RMB100 million donation to the local water supply fund in order to support the ongoing local environmental protection project.

Note c: During the year, there was a significant decrease in the net realisable value of fertilizer due to the decrease of market price. As a result, a write-down of RMB484,923,000 in inventory has been recognised in other expenses. In 2007, there was a reversal of write-down of inventory of RMB8,726,000.

8. DIVIDENDS

The final dividend of HK$0.0464 (equivalent to RMB0.0409) (2007: HK$0.0276, equivalent to RMB0.0272) per share totally approximates RMB286,727,000 (2007: RMB187,629,000) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

	2008	2007
	RMB'000	*RMB'000*
		(restated)
Dividends recognised as distribution during the year:		
Final dividend for 2007, paid HK$0.0276 (equivalent to RMB0.0272) (for 2006: HK$0.0231 (equivalent to RMB0.0228)) per share	**171,984**	132,330
Proposed final dividend of HK$0.0464 (equivalent to RMB0.0409) (2007: HK$0.0276 (equivalent to RMB0.0272)) per share	**286,727**	187,629

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity shareholders of the Company is based on the following data:

	2008	2007
	RMB'000	*RMB'000*
		(restated)
Earnings		
Earnings for the purpose of basic earnings per share	**1,912,555**	641,142
Effect of dilutive potential ordinary shares:		
Interest expense on convertible loan notes	**40,164**	–
Changes in fair value of derivatives	**(163,160)**	–
Gain on settlement of convertible loan notes	**(2,440)**	–
Earnings for the purposes of diluted earnings per share	**1,787,119**	641,142
	'000 shares	*'000 shares*
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**6,983,421**	6,000,022
Effect of dilutive potential shares		
– share options	**14,160**	18,761
– convertible loan notes	**178,454**	–
Weighted average number of shares for the purpose of diluted earnings per share	**7,176,035**	6,018,783

The computation of diluted earnings per share for 2007 does not assume the conversion of the Company's outstanding convertible loan notes as these notes were anti-dilutive in 2007.

10. TRADE AND BILLS RECEIVABLES

	2008	2007
	RMB'000	*RMB'000*
		(restated)
Trade receivables	**528,001**	279,725
Less: allowance for doubtful debts	**(823)**	(694)
	527,178	279,031
Bills receivables	**1,701,489**	2,969,059
Total trade and bills receivables	**2,228,667**	3,248,090

The Group allows its trade customers with credit periods normally within 90 days. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the balance sheet date:

	2008	2007
	RMB'000	*RMB'000*
		(restated)
Within 90 days	**517,669**	267,979
91 days to 180 days	**4,320**	9,209
181 days to 360 days	**1,494**	437
Over 360 days	**3,695**	1,406
	527,178	279,031

11. TRADE AND BILLS PAYABLE

The average credit period on purchases of goods is 90 days. The following is an analysis of trade and bills payable at the balance sheet date:

	2008	2007
	RMB'000	*RMB'000*
		(restated)
Within 90 days	**3,705,685**	2,031,196
91 days to 180 days	**323,218**	24,254
181 days to 360 days	**112,482**	10,958
Over 360 days	**22,016**	8,781
	4,163,401	2,075,189

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$0.0464 (approximately RMB0.0409) per share for the year ended 31 December 2008 (2007: HK$0.0276, approximately RMB0.0272 per share).

Further announcement will be made in respect of the date of closure of the register of members and the date of the forthcoming annual general meeting.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three members, including Mr. Tse Hau Yin, Aloysius as Chairman, Mr. Ko Ming Tung, Edward and Dr. Tang Tin Sek as members, all of whom are independent non-executive directors of the Company. The Audit Committee, assisted by the management of the Group, has reviewed the consolidated financial statements of the Company for the year ended 31 December 2008 and the accounting principles and practices adopted by the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

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") and its amendments from time to time 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 year ended 31 December 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 maintaining a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practice on corporate governance, and compliance with the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules. During the year ended 31 December 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 2008 annual report to be published soon.

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, 24 March 2009

* *For identification purpose only*