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 2009

FINANCIAL HIGHLIGHTS

- The Group's turnover was RMB27,011 million, falling by 40.50% year on year
- Loss attributable to shareholders of the Company was RMB1,444 million (2008: net profit attributable to shareholders of the Company was RMB1,913 million); excluding change in fair value of derivative component of convertible loan notes, net loss attributable to shareholders was RMB1,494 million, declining 185.37% year on year
- Basic loss per share for the year was RMB0.2059 (2008: basic earnings per share was RMB0.2739)
- The Board did not recommend the declaration of final dividend for the year ended 31 December 2009
- Number of distribution centers and sales outlets for the year increased to 2,036 (2008: 2,010)
- The Group's total fertilizer production capacity for the year amounted to 10.34 million tons (2008: 10.16 million tons)

CHAIRMAN'S STATEMENT

Dear Shareholders,

Hereby I present to the shareholders the annual results of Sinofert Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009.

The year 2009 witnessed a sharp fall in global fertilizer demand due to the impact of the financial crisis. Being the world's largest fertilizer producing country, China was confronted with a situation of severe oversupply, extremely intense market competition and continuously falling fertilizer prices. Against such challenges and difficulties, the Group responded in a calm manner and steadfastly pushed forward the strategy of "centering on marketing and distribution and expanding into both production and network distribution" for integrated development. Sales volume for the year was 15.23 million tons, falling by 6.07% from that in 2008; turnover was RMB27,011 million, down by 40.50%; loss attributable to shareholders of the Company was RMB1,444 million; and basic loss per share was RMB0.2059. This was the first time the Group's financial performance declined after ten years of consecutive growth, which was mainly caused by sales of high-cost potash inventories imported in the previous year and write-down of inventories.

In 2009 the Group experienced a downturn in financial performance, but it still maintained the leading status as the largest fertilizer distributor and service provider in China. The industrial base and the extensive distribution network shaped during the Group's strategic transformation over the past ten years had become important assets of the Group. Our distribution network, in particular, had increasingly demonstrated its strategic value in the background of substantial oversupply and all the market players rivaling each other for distribution powers. The Group's abilities in deploying resources globally and its brand image influence still maintain a cutting edge in market competition. The Directors, the management and all the employees are fully confident in the Company's future growth prospect.

In 2009 the Group grasped the opportunities arising from the crisis and basically formed an expert management team for the production enterprises by proactively recruiting specialists and talents to optimize the human resources structure. Meanwhile, good results were achieved in implementing the low cost strategy through technological innovations and lean management. The overall operations level of the Group's production enterprises fared better than the industry average.

Following the completion of the distribution network, in 2009 the Group shifted its focus on improving the quality and operations of the distribution network in its network development strategy. By optimizing standardized management, enhancing service abilities for the end-user customers and pushing forward "one-stop shopping" services with enriched product mix, the integrated value of the distribution network was significantly enhanced.

In 2009 the Group adopted the guideline of "being prudent in operations, quick-buy-and-quick-sell and always aware of risk control" to deal with the crisis and challenges. By reducing inventory level and emphasizing on cashflow management, the overall asset quality and operations efficiency of the Group was improved substantially, laying a solid foundation for further growth in the future.

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 overcoming the financial crisis. 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 2009, at which the Directors fulfilled their obligations, including reviewing and approving the annual report, interim report, corporate development strategy and other important issues.

Looking forward into 2010 and the "post-crisis" era, we see favourable prospects for the future development of the Group. The Chinese economy has been out of the crisis and taking the lead in global recovery with an annual GDP growth of more than 8% in 2009; and meanwhile the overall global economy was recovering gradually.

Agriculture in China is positioned to be "the strategic industry effecting stability of the country and the people". In recent years Chinese government input "in the agricultural sector, in the rural areas and for the farmers" has been constantly increased. The 2010 No. 1 Document issued by the Central Government made it clear for the first time that input "in the agricultural sector, in the rural areas and for the farmers" will keep expanding steadily in both total volume and proportion. Such favourable policies have helped greatly in achieving successive bumper harvests and constant increase of farmers' income. In particular, this year the Chinese government will initiate in full scale the "50-Billion-Kg Grain Production Capacity Expansion Program" and other related plans, which would create potentials for the development of the fertilizer industry. We believe that in the next couple of years, China's fertilizer consumption will overcome the downtrend in the previous two years and back to growth. In addition, the situation of overcapacity and the trend of structural readjustment and reorganization of the Chinese fertilizer industry will also provide good opportunities for the Group to further consolidate its industrial base.

In 2010, the Group will grasp the opportunities by further deepening the development strategy of "centering on marketing and distribution and expanding into both production and network distribution". We will continue to consolidate our industrial base and enhance the cost competitiveness of our products; take advantage of the distribution network to expand integrated operations of various agricultural inputs, and explore into new models for the development of distribution network so as to get better prepared for sustainable growth for the Group at higher strategic command heights. We will also bring into full play the advantages of integrated development, continuously increase our market share and consolidate our leading market position. The Group will spare no effort in fulfilling our business goals for 2010, and is always committed to creating value for the shareholders and wealth for society, hence playing a greater role in ensuring China's food security and agricultural development.

Last but not the least, on behalf of the Board, I would like to take this opportunity to extend our heartfelt appreciations to the customers, the management and employees of the Group. We hope to have your continuous support, and that the Sinofert Team will keep working hard to completely shake off the shadows of the financial crisis with steadfast willingness and in highly motivated spirit.

Liu De Shu
Chairman of the Board

Hong Kong, 18 March 2010

MANAGEMENT REVIEW AND PROSPECT

In 2009 global fertilizer consumption was dampened by the international financial crisis and the downturn in the prices of agricultural products substantially affecting the demand for fertilizers. The overall fertilizer market was weak and sluggish.

The year of 2009 also saw an oversupply situation getting from bad to worse in the Chinese fertilizer market as production capacity continued to expand rapidly. According to statistics, China's annual fertilizer output reached 67.06 million tons (converted to 100% nutrients), up by 16% over the previous year. The output of nitrogen, phosphate and potash fertilizers increased by 14%, 22% and 24%, respectively. Restricted by high export tax and a relatively weak international market, China's exports of nitrogen and phosphate fertilizers fell sharply, making the oversupply situation more severe in the domestic market. Statistics also show that China's annual production capacity of nitrogen and phosphate fertilizers was 20% and 50% more than actual consumption, respectively. The potash market was also oversupplied because of increased domestic production capacity and a considerable amount of imported potash inventory carried over from the previous year. Consequently, nitrogen, phosphate and potash prices plummeted with the biggest fall from the peak in 2008 to the bottom over 42%, 53% and 50%, respectively.

Under the leadership of the Board of Directors, the Group readjusted its strategies and took proactive measures to deal with various adversities. The Group adhered to the strategy of "centering on marketing and distribution and expanding into both production and network distribution", and endeavoured to bring into full play the advantages of our integrated business model allowing production and distribution as well as domestic supply and international trading mutually supportive for better synergic effect. The overall risk management ability of the Company has been strengthened. Aiming at "promoting sales, empowering brand name and creating value," the marketing abilities of the distribution network were strengthened with a broader and more solid customer base. In addition, the Group was able to balance its financing structure and minimize finance cost and risks by utilizing its integrated financing resources both at home and abroad, which had not only satisfied the capital need but also reduced finance risks of the Group. All this has laid a good foundation for the future growth of the Company.

Financial Highlights

For the year ended 31 December 2009, the Group's turnover reached RMB27,011 million, falling by 40.50%; and loss attributable to shareholders of the Company reached RMB1,444 million. Under the background of the global financial crisis and a market downturn, the Group's annual results plummeted due to losses caused by sales of high-cost potash imported in 2008 and the write-down of inventories. This was the first time the Group's financial performance declined after ten years of continuous growth.

Product Operations

In 2009 the Group adopted the guideline of "being prudent in operations, quick-buy-and-quick-sell and always aware of risk control" to overcome the adversities caused by sluggish demand in the global fertilizer market, especially the sharp fall in potash demand. The Group brought into full play its advantages of integrated business model, and endeavoured to broaden its customer base by strengthening marketing services. Sales volume for the year was 15.23 million tons, falling by 6.07% from that in 2008. However, we still maintained the leading position as the largest fertilizer distributor and service provider in China.

For the year ended 31 December 2009, the sales volume of nitrogen fertilizers rose to 6.19 million tons, up by 3.15% year on year; the sales volume of phosphate fertilizers increased to 3.69 million tons, up by 25.63% year on year; while the sales volume of compound fertilizers fell by 18.90% year on year to 2.06 million tons. Nonetheless, the Group was still a forerunner in China's high-end compound fertilizer market. The sales volume of potash fertilizers decreased by 41.36% year on year to 2.36 million tons, which was mainly caused by dramatically shrinking demand for potash as high prices dampened consumption and operating capacities of compound fertilizer plants were restricted at a very low level. Despite a sharp fall in potash sales, the Group still maintained the largest market share in the Chinese potash market. The sales volume of sulphur was basically the same as the previous year at 0.65 million tons. The Group initiated the cooperation with Shell on sulphur supply, laying a good foundation for further growth of the sulphur business. Pesticides were mainly marketed through the distribution network, focusing on pesticide distributors at the grass-roots level with farm operators and grain-growers as supplementary customers. Pesticide marketing abilities of the distribution network were steadily boosted.

Production

In 2009, the Group had no newly built project or new acquisition. Total fertilizer production capacity of the Group increased to 10.34 million tons through rebuilding or expansion of existing production facilities at subsidiaries and joint ventures. Meanwhile, the Group focused on the implementation of the low cost strategy for sustainable growth by carrying out lean management and technological innovations.

The Group grasped opportunities arising from the crisis and proactively recruited specialists and talents to consolidate the professional management of the production sector in terms of technological development, processing and equipment and corporate management. Enhancing competitiveness through technological innovations, Sinochem Fuling gained profits from technological transfer and expedited the building of a state-level technological center. With the full implementation of lean management, the Group's production enterprises were capable of further reducing energy consumption and maintaining safe production. Despite the challenging market environment, the overall operations level of the Group's production subsidiaries fared better than the industry average.

Network Distribution

Following the completion of the distribution network layout in major agricultural counties, from 2009 onwards the Group shifted its focus onto improving the quality and operations of the distribution network in its network development strategy. During the year, 26 distribution centers were newly built, bringing the total number to 2,036 nationwide.

During 2009 the distribution network gave top priority on "expanding customer base at township level and continuously substantiating the basis of operations" in its work. The number of trading customers expanded by 11,000 new customers to over 40,000, with a continuous increase in the ratio of customers at the village and township level. The sales volume of the distribution network was 11.31 million tons, accounting for 74.24% of the Group's total sales volume. The proportion of network sales continued to rise, proving that the distribution network has been playing an increasingly important role.

The Group actively pushed forward the integrated operations of various agricultural inputs, and achieved steady progress in promoting "one-stop shopping" services with enriched product mix covering fertilizers and pesticides. Our integrated business model proved to be more and more competitive, and the distribution and service platform with Sinofert characteristics was further strengthened.

Internal Control and Management

Confronted with severe challenges, the Group paid ever greater attention to the security of shareholders' assets. The Group adhered to a sound financial policy, actively expanded financing channels and maintained a balanced financing structure in meeting the capital requirements for the Group's development. We also fully utilized the financing resources both at home and abroad and adjusted our financing strategies in a timely manner to effectively reduce finance risks. By implementing total risk management and focusing on goods ownership management and continuously improving work flows and internal audit procedures, the Group ensured the security of corporate assets and operation safety. At the same time, through a series of effective measures, the cashflow, inventory structure and asset structure of the Group was optimized. The asset quality and operation efficiency of the Group was improved substantially, laying a good foundation for growth in the future.

Corporate Social Responsibility

The Group always proactively undertakes its social responsibilities. We are committed to promoting "Harmonious China, Safe Agriculture" and "whole-heartedly serving the Chinese farmers", and take it a long-term strategy to provide full services to meet the needs of end-user farming households. In 2009, a total of over 4,800 agrichemical service events were held, including expert lectures and seminars, town fair gatherings and promotions for formula fertilization based on soil testing, which had directly benefited more than 50 million farmers. A total of 1,108 exemplary villages selected for the promotion of scientific fertilization by Sinofert were set up, with 1,366 specialized programs provided for the villagers. We also actively participated in the agro-technology promotion program under the sponsorship of the Ministry of Agriculture, undertaking the work of building 1,000 exemplary villages and 1,000 demonstration bases for agro-technology promotion in 280 counties throughout the country. The Group also organized a nationwide campaign for the promotion of Sinofert Canadian potash, and provided quality fertilizers and agricultural technologies to the earthquake-stricken areas in Sichuan and Shaanxi so as to support the reconstruction of these areas.

The Company successfully sponsored the 77th Annual Conference of the International Fertilizer Industry Association (IFA) held in Shanghai in 2009, at which people in the global fertilizer industry exchanged views and the international fertilizer producers and suppliers gained a better understanding of the Chinese fertilizer industry. In addition, the Group also successfully fulfilled the mission of undertaking the national off-season reserve of 2.55 million tons of fertilizers, which helped to ensure market supply and stabilize prices.

Outlook

In 2009, the Chinese economy overcame the difficulties caused by the international financial crisis, and recovered with an annual GDP growth of 8.7%. Meanwhile, the overall global economy was recovering gradually. During the year, the Chinese agricultural output and the farmers' income both maintained a good growth momentum thanks to the support of preferential policies towards the agricultural sector.

The 2010 No. 1 Document issued by the Central Government made it clear for the first time that input "in the agricultural sector, in the rural areas and for the farmers" will keep expanding steadily in both total volume and proportion. The central government will spend a total of RMB818.3 billion in this aspect, which represents an increase of 13%, or RMB93 billion over the previous year. This year the government will continue to increase the minimum grain purchase prices. In particular, the Chinese government will initiate in full scale the "50-Billion-Kg Grain Production Capacity Expansion Program for 2009-2020" to enhance annual grain output no less than 500 billion kg. We believe that in the next couple of years, China's fertilizer consumption will regain recovery growth. All these favourable conditions will create huge demand potentials for the fertilizer industry.

In view of the industry, the situation of overcapacity and the trend of restructuring and reorganization of the Chinese fertilizer industry will also provide good opportunities for the Group to further consolidate its comprehensive strength and enhance its capacity in continuous growth.

In 2009 the performance of the Group took a severe downturn, but the fundamentals for the Group's development remain intact, and our entrepreneurship in pursuit of excellence has never changed. The Group will grasp its opportunities by further carrying out the development strategy of "centering on marketing and distribution and expanding into both production and network distribution", continuing to consolidate the Group's industrial base and enhancing its competitiveness. We will take advantage of the distribution network to expand integrated operations of various agricultural inputs, and enhance the value of the distribution network. We will also make use of the synergy of integrated development, continuously enlarge our market share and consolidate our leading market position. The Group will spare no effort in fulfilling the business goals for 2010, and is always committed to creating value for the shareholders and wealth for society, hence playing a greater role in ensuring China's food security and agricultural development.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended 31 December 2009, sales volume of the Group reached 15.23 million tons, and turnover was RMB27,011 million, representing a decrease of 6.07% and 40.50%, respectively, over the corresponding period of 2008.

For the year ended 31 December 2009, gross loss of the Group reached RMB563 million, representing a decrease of 116.54% as compared with the year ended 31 December 2008 and loss attributable to shareholders of the Company was RMB1,444 million. Excluding the change in fair value of derivative component of the convertible loan notes, loss attributable to shareholders of the Company would be RMB1,494 million, representing a decrease of 185.37% as compared with the corresponding period in 2008.

I. Operation Scale

1. Sales Volume

For the year ended 31 December 2009, sales volume of the Group reached 15.23 million tons, down by 6.07% over the corresponding period of 2008. Due to the decrease in the import volume of potash fertilizer in 2009, the sales volume of imported fertilizers fell by 32.60% year on year to 2.81 million tons in 2009. The sales volume of domestic fertilizers was 11.49 million tons, up by 1.39% year on year.

In terms of product composition, due to a sharp fall in domestic demand for potash, sales volume of potash fell by 41.36% year on year; and sales volume of compound fertilizers decreased by 18.90% compared to the same period of 2008 due to the market downturn in 2009. Thanks to product supply from share-controlling plants of the Company and the building of core supplier system, the advantage of integrated operation of the nitrogen business was becoming ever more apparent, with a year-on-year increase of 3.15% in nitrogen sales volume. With an obvious increase in demand for phosphate, particularly high-concentration phosphate in 2009, the Company seized the market opportunities and took various measures to increase sales. As a result, the sales volume of phosphate was up by 25.63% compared to the same period of 2008 and high-concentration phosphate had become one of the competitive products of the Group.

2. Turnover

For the year ended 31 December 2009, turnover of the Group was RMB27,011 million, down by RMB18,382 million over the corresponding period of 2008, which represented a decrease of 40.50%. This decrease in turnover was much bigger than the fall of 6.07% in sales volume, which was attributable to falling prices in 2009. The Group's average selling price was 36.65% lower compared with the same period of 2008.

Table 1:

	For the twelve months ended 31 December			
	2009		2008	
	Turnover	**As percentage of total turnover**	Turnover	As percentage of total turnover
	RMB'000		*RMB'000*	
Potash fertilizers	**6,750,208**	**24.99%**	16,124,676	35.52%
Nitrogen fertilizers	**8,254,933**	**30.56%**	10,727,916	23.63%
Compound fertilizers	**4,716,023**	**17.46%**	7,557,203	16.65%
Phosphate fertilizers	**6,511,440**	**24.11%**	8,565,045	18.87%
Others	**778,105**	**2.88%**	2,418,045	5.33%
Total	**27,010,709**	**100.00%**	45,392,885	100.00%

3. *Turnover and Result by Segment*

The operating segments of the Group consist of sourcing and distribution of fertilizers and agricultural related products ("Sourcing and Distribution Segment") and production and sales of fertilizers ("Production Segment").

The following is an analysis of the Group's turnover and (loss) profit by operating segment for the year ended 31 December 2009 and 2008:

Table 2:

2009

	Sourcing & Distribution	**Production**	**Eliminations**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Turnover				
External sales	**24,118,030**	**2,892,679**	**–**	**27,010,709**
Inter-segment sales	**254,580**	**3,144,899**	**(3,399,479)**	**–**
Total	**24,372,610**	**6,037,578**	**(3,399,479)**	**27,010,709**
Segment loss	**(2,536,643)**	**(31,704)**		**(2,568,347)**

2008

	Sourcing & Distribution *RMB'000*	Production *RMB'000*	Eliminations *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
Segment profit (loss)	1,900,861	(241,117)		1,659,744

Segment (loss) profit represents the (loss) profit earned by each segment without unallocated expenses and income, share of results of associates and jointly controlled entities, and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Impacted by the financial crisis, both demand and prices for fertilizer in the domestic market plunged. This resulted in a sharp fall in the Group's results for the year ended 31 December 2009 compared with the same period of 2008. Among this, the Sourcing and Distribution Segment recorded a loss of RMB2,537 million for the year ended 31 December 2009, down by RMB4,438 million from the same period of 2008. The loss was mainly attributable to the decline in fertilizer prices as a result of the downturn in the domestic market and high cost of imported potash inventories. The loss of the Production Segment decreased by RMB209 million from the same period of 2008. This was mainly because nitrogen production enterprises kept a high operating rate in 2009 to reduce the overall production cost as compared to 2008, and meanwhile, in the second half of 2009, there was a minor increase in the selling price of domestic fertilizers, which helped to reduce the loss of the Production Segment.

II. Profit

1. Gross profit

For the year ended 31 December 2009, gross loss of the Group was RMB563 million, representing a decrease of RMB3,964 million or 116.54% year on year.

The Group adopted different strategies for different products. As a result of high cost potash inventories at the end of 2008 and a plunge in fertilizer prices in the domestic market in 2009, the Group's potash profitability suffered a great loss. This was the major reason for the substantial decrease in gross profit of the Group. Since its public listing, the Group has always adhered to the development strategy of "centering on marketing and distribution and expanding into both production and network distribution", and such a strategy has achieved a desirable effect in the downturn of the fertilizer market in 2009. By relying on the sufficient cost-competitive products supplied by share-controlling production enterprises and marketing across China through large distribution network, the profitability of nitrogen, phosphate and compound fertilizers remained stable.

In summary, except for the potash business, profitability of the Group's other types of fertilizers remained stable with one or two varieties giving much improved margins.

2. Share of results of jointly controlled entities, share of results of associates

Share of results of jointly controlled entities: For the year ended 31 December 2009, the share of results of jointly controlled entities of the Group was a loss of RMB58 million, which was mainly from the production enterprises such as Yuannan Three Circle-Sinochem Fertilizer Co., Ltd, Guiyang Sinochem Kailin Fertilizer Co., Ltd, Yunnan Three Circle-Sinochem-Cargill Fertilizer Co., Ltd, etc. There was a decrease of RMB76 million from that a profit of RMB18 million for the year ended 31 December 2008. The major reason was the high production cost of phosphate fertilizers due to their high cost inventories in early 2009. Meanwhile, phosphate production enterprises realized less profit or even recorded a loss in 2009 because of a sluggish market. Consequently, the profit contributed by the production enterprises to the Group for the year shrank.

Share of results of associates: For the year ended 31 December 2009, the share of results of associates of the Group amounted to RMB250 million, which was mainly from Qinghai Salt Lake Potash Company Limited ("Qinghai Salt Lake").

3. Income tax credit

For the year ended 31 December 2009, income tax credit of the Group was RMB683 million, which was mainly due to recognition of deferred tax asset for tax losses recorded at certain subsidiaries within the Group.

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

4. Profit attributable to shareholders

For the year ended 31 December 2009, loss attributable to shareholders was RMB1,444 million, which was RMB3,356 million less than profit attributable to shareholders of the Company for the same period of 2008, or a decrease of 175.49%. This was attributable to the continuous slump of the fertilizer market affected by the financial crisis.

III. Expenditures

Selling and distribution expenses: For the year ended 31 December 2009, selling and distribution expenses were RMB833 million, up by RMB145 million or 21.09% from that of RMB688 million for the corresponding period of 2008. Such an increase was mainly attributed to the increase in logistics costs, such as costs for warehousing and storage, as a result of the slowing down of inventory turnover rate.

Administrative expenses: For the year ended 31 December 2009, administrative expenses were RMB492 million, decreased by 53 million or 9.66% from that of RMB544 million for the corresponding period of 2008. This was mainly attributable to the Group's strict control on expenses as the profit level of the Group's subsidiaries fell, with some in a loss in 2009.

Finance costs: For the year ended 31 December 2009, finance costs were RMB451 million, up by RMB157 million, or 53.08% over that of RMB295 million for the corresponding period of 2008. This was mainly attributed to higher capital demand and higher average level of loans caused by higher average inventory level.

IV. Other Expenses

For the year ended 31 December 2009, the Group's other expenses amounted to RMB825 million, which represented an increase of RMB233 million or 39.31% over that of RMB592 million for the corresponding period of 2008. The major reason is a write-down of RMB760 million at year end inventories according to requirement of applicable accounting principles as a result of market downturn in 2009 impacted by the financial crisis.

V. Inventory Turnover

The inventory balance of the Group as at 31 December 2009 was RMB5,829 million, decreased by RMB5,741 million, or 49.62% from RMB11,570 million as at 31 December 2008. Weakening demand in the domestic fertilizer market led to a decline in sales volume, and subsequently lowered inventory turnover rate. Inventory turnover days*(note)* increased from 78 days in 2008 to 114 days in 2009.

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.

VI. Trade and Bills Receivables Turnover

The balance of the Group's trade and bills receivables as at 31 December 2009 was RMB2,776 million, up by RMB547 million from that of RMB2,229 million as at 31 December 2008. This was mainly because of the increase of bills discounted to banks.

As the 40.50% decrease in turnover from the corresponding period in 2008 was higher than the decrease percentage of the balance of the trade and bills receivables, trade and bills receivables turnover day*(note)* increased from 10 days in 2008 to 19 days in 2009.

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

VII. Interests in Jointly Controlled Entities

As at 31 December 2009, the balance of the Group's interests in jointly controlled entities was RMB729 million, down by 8.06% from that of RMB793 million as at 31 December 2008. The decrease of the Company's equity interests was mainly caused by different levels of jointly controlled entities with some of them even recording a loss as a result of a slump in the fertilizer market in 2009.

VIII. Interests in Associates

The balance of the Group's interests in associates as at 31 December 2009 was RMB7,064 million, which was mainly attributed to:

1. The balance of interests in Qinghai Salt Lake as at 31 December 2009 was RMB6,903 million, including RMB257 million of investment returns generated for the twelve months ended 31 December 2009 and RMB237 million of dividends for the year 2008 received from Qinghai Salt Lake during the reported period;

2. The balance of interests in Guizhou Xinxin Industrial and Agricultural Trading Co., Ltd. ("Xinxin Industrial Company") as at 31 December 2009 was RMB145 million, including an investment loss of RMB5 million recorded for the twelve months ended 31 December 2009 and a dividend of RMB31 million for the year 2008 received from Guizhou Xinxin Industrial and Agricultural Trading Co., Ltd.;

3. Sinochem Fertilizer Company Limited ("Sinochem Fertilizer"), a subsidiary of the Group, invested RMB4 million for 40% equity interest in Yara Sinochem Environmental Protection Co., Ltd. and subsequently suffered an investment loss of RMB2 million for the year ended 31 December 2009;

4. Dohigh Trading Limited, a subsidiary of the Group, increased its investment in associates during the year by RMB12 million, including an investment of RMB2 million in Qingdao Ganghua Logistics Co., Ltd. and an investment of RMB10 million in Tianjin Beihai Enterprise Co., Ltd.

IX. Available-for-sale Investments

As at 31 December 2009, the balance of the Group's available-for-sale investments was RMB177 million, while the balance as at 31 December 2008 was RMB502 million. The decrease of RMB325 million or 64.73% was mainly caused by:

1. The Group sold shares of Luxi Chemical Industry Co., Ltd and Hualu Hengsheng Chemical Co, Ltd during 2009, thus reducing RMB382 million of available-for-sale investments;

2. An appreciation of RMB57 million as a result of the revaluation of shares in the listed companies held by the Group as at 31 December 2009, including China XLX Fertiliser Ltd. and Qinghai Salt Lake based on their fair value as at 31 December 2009.

X. Long and Short-Term Loans

As at 31 December 2009, the balance of the Group's long-term loans was RMB3,801 million, up by RMB2,818 million or 286.52% over that of RMB983 million as at 31 December 2008. This was mainly caused by RMB2,500 million corporate bonds issued by Sinochem Fertilizer, a subsidiary of the Group.

As at 31 December 2009, the balance of short-term loans was RMB3,768 million, down by RMB3,769 million as compared with RMB7,537 million as at 31 December 2008. This was mainly because the Group enhanced its effort in sales so as to generate an operating cash inflow to repay bank loan.

XI. Trade and Bills Payables

As at 31 December 2009, the balance of the Group's trade and bills payables was RMB2,194 million, decreased by RMB1,969 million from that of RMB4,163 million as at 31 December 2008. Among this, the decrease of the balance of trade payables as at 31 December 2009 was mainly caused by a decrease in purchase of imported potash during the reporting period; the balance of bills payables as at 31 December 2009 increased by RMB456 million over that as at 31 December 2008, which was mainly attributable to increased payments made in bills payable by the Group in order to reduce finance costs.

XII. Convertible Loan Notes

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

According to provisions of the convertible loan notes, the note holders have the right to require the Company to redeem all or in part of the notes at 115.55% of the face value on 7 August 2009. No note holders required the Company to redeem their notes on 7 August 2009. As a result, as at 31 December 2009, the total face value of outstanding convertible loan notes was approximately HK$622 million, which remained unchanged from that as at 31 December 2008.

According to relevant accounting standards, the Group arranged an independent assessment on the fair value of outstanding convertible loan notes. The gain arising from the change in fair value of derivative component of the convertible loan notes and the amortized finance costs to the convertible loan notes was RMB50 million and RMB40 million, respectively, which were reflected in the consolidated statement of comprehensive income for the year.

XIII. Other Financial Indicators

Basic loss per share for the year ended 31 December 2009 was RMB0.2059, which fell by 175.17% from the basic earnings per share (EPS) of RMB0.2739 in the same period of 2008. Return on equity (ROE) for the year ended 31 December 2009 was -11.88%, decreased by 25.59 percentage points from the return on equity (ROE) of 13.71% in the same period of 2008. This was mainly attributable to a decrease of 175.49% in loss attributable to shareholders as a result of the loss in 2009.

Table 3:

	2009	2008
Profitability		
(Loss) Earnings per share (RMB) *(Note 1)*	**(0.2059)**	0.2739
ROE *(Note 2)*	**(11.88%)**	13.71%

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 2009, the Group's current ratio was 1.28, and the debt-to-equity ratio was 48.82%, representing a more stable financial structure.

Table 4:

	2009	2008
Solvency		
Current ratio *(Note 1)*	**1.28**	1.07
Debt-to-Equity ratio *(Note 2)*	**48.82%**	57.89%

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

Note 2: Calculated on the basis of interest-bearing debt divided by total equity as at the end of the reporting period (interest-bearing debt does not include discounted and not yet matured bills payables).

XIV. Liquidity and Financial Resources

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

As at 31 December 2009, cash and cash equivalents of the Group amounted to RMB191 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 5:

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
Secured	**2,172,643**	346,841
Unsecured	**2,919,422**	8,173,078
Bonds	**2,476,735**	–
Total	**7,568,800**	8,519,919

Table 6:

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
Within one year	**3,767,871**	7,536,557
Within 2-5 years	**1,204,194**	853,362
Over 5 years	**2,596,735**	130,000
Total	**7,568,800**	8,519,919

Table 7:

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
Fixed interest rate	**5,166,013**	5,079,805
Floating interest rate	**2,402,787**	3,440,114
Total	**7,568,800**	8,519,919

As at 31 December 2009, certain property, plant and equipment, prepaid lease payments and bills receivables with carrying amount of RMB640 million, RMB38 million and RMB2,075 million, respectively, were pledged to secure banking facilities granted to the Group.

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

As at 31 December 2009, the Group had banking facilities of RMB38,100 million, including US$2,025 million and RMB24,300 million. The amount of utilized banking facilities was US$47 million and RMB4,700 million and that of unutilized banking facilities was US$1,978 million and RMB19,600 million.

XV. Operation and Financial Risks

Major operation risks

The recovery of the world economy is of great uncertainty; fertilizer prices are quite volatile in the domestic market troubled by overproduction and fertilizer industry restructuring and market competition will get increasingly intense as market-oriented reforms deepened.

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

Market risk

Market risk includes currency risk, interest rate risk and other price risk. Currency risk means unfavourable change in exchange rate that may have an impact on the Group's financial results and cash 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 continued to 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 counterparties fail 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 2009. The Group has adequate monitoring procedures in respect of granting credit line, credit approval and other related aspects so as to ensure the timely follow-up of overdue debt so as to greatly reduce the credit risk.

Liquidity risk

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

XVI. Contingent Liabilities

As at 31 December 2009, the Group had no material contingent liabilities.

XVII. Capital Commitment

Table 8:

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
Assets under construction		
Contracted but not provided for	**69,983**	602,041
Authorized but not contracted for	**149,981**	110,973
Total	**219,964**	713,014

Capital commitment stated above was mainly investment in additional equipment required for assets under construction. Besides the capital commitment stated above, the Group had no other material plans for major investment or capital asset acquisitions.

XVIII. Major Investments and Disposal

As at 31 December 2009, the Group had no material investment expenditure or disposal.

XIX. Employee and 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 of total remuneration. This ensures that the Group can recruit, retain and motivate high-calibre employees required for the development of the Group and to avoid offering excess reward.

The remuneration payable to directors is 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 reviews the emoluments of the directors from time to time. No director, or any of his associates and executives, is involved in deciding his/her own emolument.

The Group reviews its remuneration policy annually and engages professional consultant, if necessary, to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 31 December 2009, the Group had about 11,140 full-time employees (including those employed by controlled entities), and their remuneration is determined with reference to market rates. No individual employee shall have the right to determine his/her own remuneration.

In addition to the basic remuneration, the Group also provided certain non-monetary benefits, such as training, to its employees. For the twelve months ended 31 December 2009, the Group provided approximately 63,712 hours of training for about 6,983 person times. The training courses covered areas such as industry development, marketing management, operating management, laws and regulations, lean management, project management, finance, logistics, information technology, safe production and general working skills. These training further improved the management skills and professional standard of the management of the Group and enhanced the overall quality of the employees so as to cater for the Group's rapid developments and to improve the competitiveness of the Group.

The board of directors (the "Board") of Sinofert Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009, together with the comparative figures for the last year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	NOTES	**2009** **RMB'000**	2008 *RMB'000*
Revenue	*3*	**27,010,709**	45,392,885
Cost of sales		**(27,573,458)**	(41,991,515)
Gross (loss) profit		**(562,749)**	3,401,370
Other income and gains	*4*	**771,523**	281,935
Distribution and selling expenses		**(832,566)**	(687,558)
Administrative expenses		**(491,679)**	(544,280)
Other expenses		**(824,696)**	(591,984)
Share of results of associates		**250,322**	104,138
Share of results of jointly controlled entities		**(57,545)**	18,311
Finance costs	*5*	**(451,418)**	(294,885)
Changes in fair value of derivatives		**49,712**	163,160
Gain on settlement of convertible loan notes		**–**	2,440
Gain on deemed partial disposal of equity interest in a subsidiary		**–**	17,438
Discount on acquisition of a subsidiary		**–**	214,152
(Loss) profit before tax		**(2,149,096)**	2,084,237
Income tax credit (expense)	*6*	**683,127**	(176,430)
(Loss) profit for the year	*7*	**(1,465,969)**	1,907,807
Other comprehensive income			
Exchange differences arising on translation		**(13,618)**	(77,156)
Changes in fair value of available-for-sale investments		**389,877**	(616,000)
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of available-for-sale investments		**(491,388)**	(62,593)
Income tax relating to components of other comprehensive income		**30,170**	149,972
Other comprehensive loss for the year (net of tax)		**(84,959)**	(605,777)
Total comprehensive (loss) income for the year		**(1,550,928)**	1,302,030

	NOTES	2009 RMB'000	2008 RMB'000
(Loss) profit for the year attributable to			
– Owners of the Company		**(1,443,813)**	1,912,555
– Minority interests		**(22,156)**	(4,748)
		(1,465,969)	1,907,807
Total comprehensive (loss) income attributable to:			
– Owners of the Company		**(1,528,772)**	1,306,778
– Minority interests		**(22,156)**	(4,748)
		(1,550,928)	1,302,030
(Loss) earnings per share			
Basic *(RMB)*	*9*	**(0.2059)**	0.2739
Diluted *(RMB)*	*9*	**(0.2059)**	0.2490

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTES	**2009** **RMB'000**	2008 *RMB'000*
Non-current Assets			
Investment properties		**14,600**	14,600
Property, plant and equipment		**4,994,863**	4,580,533
Other long-term assets		**44,173**	46,801
Prepaid lease payments		**478,309**	512,240
Interests in associates		**7,063,857**	7,063,039
Interests in jointly controlled entities		**729,008**	792,921
Available-for-sale investments		**176,934**	501,710
Advance payments for acquisition of property, plant and equipment		**23,117**	151,827
Goodwill		**579,258**	579,757
Deferred tax assets		**895,316**	189,265
		14,999,435	14,432,693
Current Assets			
Inventories		**5,828,901**	11,569,643
Prepaid lease payments		**30,276**	26,621
Trade and bills receivables	*10*	**2,775,778**	2,228,667
Advance payments to suppliers		**1,116,548**	1,399,543
Other receivables		**326,722**	299,675
Pledged bank deposits		**22,907**	7,936
Bank balances and cash		**190,584**	160,302
		10,291,716	15,692,387
Current Liabilities			
Trade and bills payables	*11*	**2,194,487**	4,163,401
Receipts in advance from customers		**1,383,572**	1,149,822
Other payables		**554,231**	676,082
Derivative financial instruments		**–**	199,204
Tax liabilities		**139,803**	320,511
Convertible loan notes		**–**	587,166
Borrowings – due within one year		**3,767,871**	7,536,557
		8,039,964	14,632,743
Net Current Asset		**2,251,752**	1,059,644
Total Assets less Current Liabilities		**17,251,187**	15,492,337

	NOTES	2009 RMB'000	2008 RMB'000
Capital and Reserves			
Issued equity		**8,248,928**	8,233,245
Reserves		**3,903,010**	5,718,344
Equity attributable to owners of the Company		**12,151,938**	13,951,589
Minority interests		**383,100**	418,776
Total Equity		**12,535,038**	14,370,365
Non-current Liabilities			
Convertible loan notes		**626,240**	–
Derivative financial instruments		**149,175**	–
Borrowings – due after one year		**3,800,929**	983,362
Deferred income		**71,255**	33,267
Deferred tax liabilities		**68,550**	105,343
		4,716,149	1,121,972
		17,251,187	15,492,337

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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 ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures 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.

2. SIGNIFICANT 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 2008 except for the application of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), issued by the HKICPA. The adoption of the new and revised standards, amendments and interpretations has no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14 *Segment Information* (see Note 3).

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8, *Operating Segments*, effective from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

In the past, the Group's primary reporting format was based on business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group's operating segments under HKFRS 8 are as follows:

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

Information regarding to the above segment is reported below.

(a) Segment revenue and results and segment assets and liabilities

2009

	Sourcing and distribution *RMB'000*	Production *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Revenue				
External sales	**24,118,030**	**2,892,679**	**–**	**27,010,709**
Inter-segment sales	**254,580**	**3,144,899**	**(3,399,479)**	**–**
Total	**24,372,610**	**6,037,578**	**(3,399,479)**	**27,010,709**
Segment loss	**(2,536,643)**	**(31,704)**		**(2,568,347)**
Unallocated expenses				**(78,987)**
Unallocated income				**215,779**
Finance costs				**(451,418)**
Changes in fair value of derivatives				**49,712**
Cumulative gain included in profit or loss upon disposals of available-for-sale investments				**491,388**
Share of results of jointly controlled entities				**(57,545)**
Share of results of associates				**250,322**
Loss before tax				**(2,149,096)**

	Sourcing and distribution *RMB'000*	Production *RMB'000*	Total *RMB'000*
ASSETS			
Segment assets	**8,721,302**	**7,509,100**	**16,230,402**
Interests in associates			**7,063,857**
Interests in jointly controlled entities			**729,008**
Available-for-sale investments			**176,934**
Deferred tax assets			**895,316**
Unallocated assets			**195,634**
Consolidated total assets			**25,291,151**
LIABILITIES			
Segment liabilities	**3,131,426**	**1,075,854**	**4,207,280**
Deferred tax liabilities			**68,550**
Unallocated liabilities			**8,480,283**
Consolidated total liabilities			**12,756,113**

2008

	Sourcing and distribution *RMB'000*	Production *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Revenue				
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
Segment profit (loss)	1,900,861	(241,117)		1,659,744
Unallocated expenses				(60,327)
Unallocated income				277,504
Finance costs				(294,885)
Changes in fair value of derivatives				163,160
Share of results of jointly controlled entities				18,311
Share of results of associates				104,138
Gain on cash settlement of convertible loan notes				2,440
Discount on acquisition of a subsidiary				214,152
Profit before tax				2,084,237

	Sourcing and distribution *RMB'000*	Production *RMB'000*	Total *RMB'000*
ASSETS			
Segment assets	13,416,510	7,949,767	21,366,277
Interests in associates			7,063,039
Interests in jointly controlled entities			792,921
Available-for-sale investments			501,710
Deferred tax assets			189,265
Unallocated 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 liabilities			9,639,137
Consolidated total liabilities			15,754,715

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit (loss) represent the profit earned by or loss from each segment without allocation of corporate expenses, share of results of associates and jointly controlled entities, unallocated income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

For the purposes of monitoring segment performances and allocating resources between segments:

- All assets are allocated to reportable segments other than corporate assets, investment related assets and deferred tax assets; and
- All liabilities are allocated to reportable segments other than corporate liabilities, current and deferred tax liabilities.

(b) Other segment information

2009

	Sourcing and distribution *RMB'000*	**Production** *RMB'000*	**Corporate unallocated** *RMB'000*	**Total** *RMB'000*
Amount included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets	**13,848**	**530,457**	**26**	**544,331**
(Reversal of) impairment losses and allowance provided on receivables	**(225)**	**12,501**	**–**	**12,276**
Depreciation and amortisation	**7,755**	**250,607**	**1,052**	**259,414**
Release of prepaid lease payments	**–**	**30,276**	**–**	**30,276**
Write-down of inventories	**758,022**	**2,080**	**–**	**760,102**
Loss (gain) on disposal of property, plant and equipment	**401**	**(2)**	**–**	**399**
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Share of results in associates	**–**	**250,322**	**–**	**250,322**
Share of results in jointly controlled entities	**–**	**(57,545)**	**–**	**(57,545)**
Investments in associates	**–**	**7,063,857**	**–**	**7,063,857**
Investments in jointly controlled entities	**–**	**729,008**	**–**	**729,008**

2008

	Sourcing and distribution *RMB'000*	Production *RMB'000*	Corporate unallocated *RMB'000*	Total *RMB'000*
Amount included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets	10,780	4,052,224	7	4,063,011
Impairment losses and allowance provided on receivables	–	129	–	129
Depreciation and amortisation	6,811	164,995	1,061	172,867
Release of prepaid lease payments	–	14,827	–	14,827
Write-down of inventories	378,600	106,323	–	484,923
Loss on disposal of property, plant and equipment	46	1,145	–	1,191
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Share of results in associates	–	104,138	–	104,138
Share of results in jointly controlled entities	–	18,311	–	18,311
Investments in associates	–	7,063,039	–	7,063,039
Investments in jointly controlled entities	–	792,921	–	792,921

(c) Revenue from major products

The following is an analysis of the Group's revenue from its major products.

	2009 *RMB'000*	2008 *RMB'000*
Potash fertilizers	**6,750,208**	16,124,676
Nitrogen Fertilizers	**8,254,933**	10,727,916
Compound fertilizers	**4,716,023**	7,557,203
Phosphate fertilizers	**6,511,440**	8,565,045
Others	**778,105**	2,418,045
Total	**27,010,709**	45,392,885

(d) **Geographical information**

The Group's operations are mainly located in the People's Republic of China ("PRC") mainland and Macao.

The Group's revenue from its operations from external customers based on their place of incorporation/ establishment and information about its non-current assets by geographical location of the assets are detailed below.

	Revenue from external customers		Non-current assets	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC	**26,450,172**	44,160,555	**13,925,838**	13,738,877
Others	**560,537**	1,232,330	**1,347**	2,841
	27,010,709	45,392,885	**13,927,185**	13,741,718

Non-current assets excluded financial instruments and deferred tax assets.

(e) **Information about major customers**

No revenues from a single external customer amount to 10% or more of the Group's revenue.

4. OTHER INCOME AND GAINS

	2009	2008
	RMB'000	*RMB'000*
Rental income	**3,165**	2,017
Dividend income from available-for-sale investments	**9,976**	7,527
Interest income from bank deposits	**4,175**	32,734
Government grants *(note a)*	**104,142**	58,917
Exchange gain	**–**	31,325
Gain on disposal of available-for-sale investments	**491,388**	62,593
Gain on disposal of prepaid lease payments	**–**	9,512
Deferred income released	**5,684**	2,939
Compensation received	**6,493**	11,512
Gain on debt restructuring *(note b)*	**81,139**	–
Sales of scrapped materials	**53,109**	48,028
Others	**12,252**	14,831
	771,523	281,935

Notes:

(a) Government grants mainly comprised payments from the government to support the development of the business of the group entities in accordance with applicable regulation in the PRC.

(b) The gain on debt restructuring mainly comprises a waiver of interest payables to a bank upon full settlement of the principal outstanding.

5. FINANCE COSTS

	2009 *RMB'000*	2008 *RMB'000*
Interests on		
– borrowings wholly repayable within five years	**441,230**	282,652
– borrowings not wholly repayable within five years	**21,603**	4,314
– convertible loan notes	**40,042**	40,164
Total finance costs	**502,875**	327,130
Less: amounts capitalized	**(51,457)**	(32,245)
	451,418	294,885

Note: Finance costs capitalized during the year are calculated by applying a capitalization rate of 5.92% (2008: 7.10%) per annum to expenditure on qualifying assets.

6. INCOME TAX (CREDIT) EXPENSE

	2009 *RMB'000*	2008 *RMB'000*
Current tax		
Hong Kong Profits Tax	**1,960**	28,670
PRC enterprise income tax	**27,587**	324,825
	29,547	353,495
Deferred tax		
Current year	**(712,674)**	(177,065)
	(683,127)	176,430

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% (2008: 16.5%) of the estimated assessable profit for the year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

According to the policy for the development of the western region of the PRC promulgated by the State Council, Sinochem Chongqing Fuling Chemical Fertilizer Company Limited ("Sinochem Fuling") is entitled to this preferential income tax treatment of 15% 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. It is expected that Sinochem Fuling will meet the criteria to entitle to the preferential tax treatment for 2010.

According to the EIT 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 Company has determined that those profits earned by PRC subsidiaries will not be distributed overseas in the foreseeable future.

No provision for income tax has been made for subsidiaries of the Company incorporated in the British Virgin Islands and Macao as those subsidiaries are either subject to a zero tax rate or exempted from income tax.

A statement of reconciliation of taxation is as follows:

	2009	2008
	RMB'000	*RMB'000*
(Loss) profit before tax	**(2,149,096)**	2,084,237
Tax calculated at the main applicable tax rate of 25%	**(537,274)**	521,059
Tax effect of expenses not deductible for tax purposes *(note)*	**14,312**	10,830
Tax effect of income not taxable for tax purposes	**(4,358)**	(118,411)
Tax effect of share of results of jointly controlled entities	**14,386**	(4,578)
Tax effect of share of results of associates	**(62,581)**	(26,035)
Effect of different income tax rates	**(116,397)**	(235,033)
Effect of tax loss not recognized	**8,457**	30,067
Others	**328**	(1,469)
Income tax (credit) expense for the year	**(683,127)**	176,430

Note: The non-deductible expenses mainly include entertainment expenses exceeding the limit and interest expenses on convertible loan notes.

7. (LOSS) PROFIT FOR THE YEAR

	2009	2008
	RMB'000	*RMB'000*
(Loss) profit for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**244,264**	167,945
Release of prepaid lease payments	**30,276**	14,827
Amortization of other long-term assets	**15,150**	4,922
Provision for impairment on trade receivables	**3,384**	129
Write-down of other receivables	**8,892**	–
Loss on disposal of property, plant and equipment	**399**	1,191
Write-down of inventories *(note)*	**760,102**	484,923
Net foreign exchange losses, included in other expenses	**39,538**	–

Note: During the year, there was a significant decrease in the net realizable value of fertilizers due to the decrease of market price. Write-down of RMB760,102,000 (2008: RMB484,923,000) is related to inventories on hand as at 31 December 2009 which has been recognized in other expenses.

8. DIVIDENDS

The directors did not propose the payment of final dividend for the year ended 31 December 2009 (2008: HK4.64 cents, equivalent to RMB0.0409 per share, totalling RMB286,912,000).

	2009	2008
	RMB'000	*RMB'000*
Dividends recognized as distribution during the year:		
Final dividend for 2008 of HK4.64 cents, equivalent to RMB0.0409 (2008: 2007 final dividends of HK2.76 cents, equivalent to RMB0.0272) per share	**286,912**	171,984

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	2009	2008
	RMB'000	*RMB'000*
(Loss) earnings for the purpose of basic (loss) earnings per share	**(1,443,813)**	1,912,555
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)
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(1,443,813)**	1,787,119

	'000 shares	*'000 shares*
Number of shares		
Weighted average number of shares for the purpose of basic (loss) earnings per share	**7,013,508**	6,983,421
Effect of dilutive potential shares		
– share options	**–**	14,160
– convertible loan notes	**–**	178,454
Weighted average number of shares for the purpose of diluted (loss) earnings per share	**7,013,508**	7,176,035

The computation of diluted loss per share for the year ended 31 December 2009 does not assume the exercise of the outstanding share options and the conversion of the outstanding convertible loan notes as the effects of such exercise and conversion would result in a decrease in loss per share.

10. TRADE AND BILLS RECEIVABLES

	2009	2008
	RMB'000	*RMB'000*
Trade receivables	**518,519**	528,001
Less: allowance for doubtful debts	**(4,207)**	(823)
	514,312	527,178
Bills receivables	**2,261,466**	1,701,489
Total trade and bills receivables	**2,775,778**	2,228,667

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 presented based on the invoice date at the end of the reporting period:

	2009	2008
	RMB'000	*RMB'000*
Within 90 days	**474,494**	517,669
91 days to 180 days	**5,299**	4,320
181 days to 360 days	**34,098**	1,494
Over 360 days	**421**	3,695
	514,312	527,178

11. TRADE AND BILLS PAYABLES

The average credit period on purchases of goods is 90 days. The following is an aged analysis of trade and bills payables at the end of the reporting period:

	2009	2008
	RMB'000	*RMB'000*
Within 90 days	**1,210,304**	3,705,685
91 days to 180 days	**711,786**	323,218
181 days to 360 days	**61,018**	112,482
Over 360 days	**211,379**	22,016
	2,194,487	4,163,401

FINAL DIVIDEND

The Board did not recommend the declaration of a final dividend for the year ended 31 December 2009 (2008: HK$0.0464, equivalent to approximately RMB0.0409 per share).

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 has reviewed with management and the external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the consolidated financial statements of the Group for the year ended 31 December 2009.

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 enquiries with 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 2009.

The Company has also adopted written guidelines on no less exacting terms than the Model Code for relevant employees. No incident of non-compliance of the employees' written guidelines by relevant employees was noted by the Company during the year.

CORPORATE GOVERNANCE STANDARDS

Recognizing the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, the Company is committed to maintaining a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practices on corporate governance, and to comply with the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules.

For the year ended 31 December 2009 and up to the date of this announcement, the Company has complied with the code provisions in the Code, and its amendments from time to time, except for a deviation from the code provision E.1.2 as described below.

The code provision E.1.2 of the Code stipulates that, among others, the chairman of the board should attend the annual general meeting of the listed issuer. In the annual general meeting of the Company held on 10 June 2009 ("2009 AGM"), Mr. Liu De Shu, the Chairman of the Board, did not chair the meeting due to other essential business engagements. In order to ensure smooth holding of the 2009 AGM, the Chairman of the Board authorized and the directors attended the meeting elected Mr. Du Ke Ping, Executive Director and Chief Executive Officer of the Company, to chair the meeting on behalf of the Chairman of the Board. Respective chairmen of the audit, remuneration and nomination committees of the Company were present at the 2009 AGM and were available to answer relevant questions, which was in compliance with other part of code provision E.1.2 of the Code.

Save as disclosed above, please refer to the "Corporate Governance Report" contained in the Company's 2009 annual report for more information about the corporate governance practices of the Company 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), 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 of
SINOFERT HOLDINGS LIMITED
Du Ke Ping
Executive Director and Chief Executive Officer

Hong Kong, 18 March 2010

* *For identification purposes only*