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 2010

FINANCIAL HIGHLIGHTS

- The Group's turnover was RMB29,271 million, increased by 8.37% year on year
- Profit for the year attributable to shareholders of the Company was RMB536 million (2009: loss for the year attributable to shareholders of the Company was RMB1,444 million), turning a loss to a profit
- Basic earnings per share for the year was RMB0.0763 (2009: basic loss per share was RMB0.2059)
- The Board recommended the payment of a final dividend of HK$0.0110 per share (equivalent to approximately to RMB0.0094 per share)
- Number of distribution centers and sales outlets for the year increased to 2,106 (2009: 2,036)

CHAIRMAN'S STATEMENT

Dear Shareholders,

Hereby I present to all 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 2010.

In 2010, global economy recovered in a slow pace, China fertilizer industry shown a recovery trend under the guidance of the National Petroleum and Chemical Industry Adjustment and Revitalization Plan and the pulling effect of international fertilizer market, both of the fertilizer production and profit increased compared with last year. However, fertilizer industry is still facing complicated and changing internal and external business environment: disasters of prolonged chilly conditions, floodings and drought, raw material supply interruption and price increasing trend, in addition to the influence on the market demand and enterprise production from the strict export duty policy on fertilizer products. Moreover, nitrogen fertilizer industry still has to adjust the irrational production capacity structure, inadequate low cost production capacity, most enterprises lack market competitive edge, pressure from technological innovation, safety and environmental protection.

Facing the tough condition of domestic fertilizer market oversupply and price slow recovery, the Group fully deployed the synergic capability of the integrated upstream and downstream business operation and domestic and overseas market trade. In 2010, the Group realized total sales volume of 15.51 million tons, up by 1.81% year on year, hardening the Company's leading market status in China fertilizer distribution sector; turnover of the Group was RMB29,271 million, up by 8.37% year on year; profit for the year attributable to shareholders was RMB536 million, reversing the losses in 2009.

In 2010, the Group made a thorough analysis of the internal and external business environment in a global vision, further clarified development thoughts, unswervingly made progress of major strategic measures, made a solid step toward the aim of becoming "global leading agricultural inputs and agrochemical service provider". The Company constantly strengthened the natural resources acquiring ability and pushed forward the progress. In terms of production and technology, the Company enriched development content and gained stronger industrial competition edge based on technology improvement innovations, energy saving and consumption reduction; In terms of products operation and distribution, the Company consolidated its market position as a leading fertilizer provider, in addition to domestic distribution network optimization, exploration of innovative development, network quality improvement, stimulation of operating energy and emphasizing value creation.

The Group sticks to sound financial policy, actively pushed forward comprehensive risk management, executed the optimization of rules and working flows, ensuring the safety of the Group's assets and business operation.

Working to maximize shareholders' value, the Board has continuously improved corporate governance to bring into place a highly standardized, effective and rational governance mechanism. In compliance with the Code on Corporate Governance Practices as required by The Stock Exchange of Hong Kong Limited, the Company held five regular meetings of the Board in 2010, at which the Directors fulfilled their obligations, including reviewing and approving the annual report, interim report, corporate development strategy and other important issues. At the same time, the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board all implemented rights and obligations assigned by the Board in terms of the improvement on the Company's internal supervision, remuneration optimization and governance structure.

Looking forward to the future, global economy recovery faces gradually reduced downward risks, China economy will maintain relatively rapid growing pace, which providing positive macro development environment for the fertilizer industry. At present, global fertilizer industry including China is experiencing a new round of industrial recombination and conformity, the large multinational fertilizer companies gain stronger development ability and more controlling power on the natural resources and market. As an integrated comprehensive fertilizer enterprise, the Group will adopt a global vision to strengthen control on resources, increase technology input, consolidate industrial competition edge, enrich business operation content of distribution network, establish value-added ability of product trading operation; At the same time, the Group will consolidate the relationship with both domestic and international fertilizer suppliers and customers, innovate business operating mode, enlarge market share, further consolidate the Group's leading market position, build core competitive edge and sustainable development ability, in order to fulfill our business goals for the year of 2011, and be committed to create value for the shareholders and wealth for society.

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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 Sinofert's management and employees will bear in mind our mission, preserve solidarity, continue self strengthening and make great contribution for the development of the Company.

Liu De Shu
Chairman of the Board

Hong Kong, 24 March 2011

MANAGEMENT REVIEW AND PROSPECT

In 2010, China fertilizer market was deeply affected by the prolonged chilly temperature, snowy and rainy weather in the spring and subsequent natural disasters of drought and flooding, which resulted in spring fertilization season started rather late, and badly affected the overall demand in the year. Although fertilizer export turned into positive conditions and provided a relatively strong pushing force for the domestic urea and DAP markets, and help the price of these products recovered from the persistent sluggish conditions in the first half of the year, the fluctuation of the market price movement increased business operation risks to fertilizer enterprises and affected their annual results obviously.

In 2010, the recovery force of the domestic fertilizer market became stronger, showing a consistent and stable development trend. In the year, China fertilizer production reached 66.20 million tons in nutrient, growing 2.52% year on year. Both the phosphate and potash fertilizer production grew in a higher speed, 20.15% and 12.71% respectively, phosphate industrial financial performance returned to the normal level before the financial crisis. However, fertilizer industry still afforded pressures from both the raw material price escalation and energy saving and emission reduction, nitrogen producer was affected obviously, with plant capacity utilization rate fell to around 70%. As at the end of November 2010, nearly 40% nitrogen producers falling into loss and the total amount increased 6% year on year.

Facing the fast changing market environment, the Group adopted the guiding thoughts of enriching business content, consolidating management foundation and improving earnings performance under the leadership of the Board. The Group consolidated the cooperation relationship with core suppliers, strengthened measures to acquire natural resources, made every effort to reduce fertilizer production cost of subsidiary production enterprises, explored new development mode for the distribution network, improved business operation quality and earning ability at distribution network, systematically strengthened internal controls, realized synergic effect of upstream and downstream integration.

Financial Highlights

For the year ended 31 December 2010, the Group's turnover reached RMB29,271 million, up by 8.37% year on year; and profit for the year attributable to shareholders of the Company reached RMB536 million, recovered from the loss in 2009.

Product Operations

Facing the complicated market environment including demand decline, price fluctuation and increasing operation risks, the Group adopted the established business operation strategy, constantly strengthened the building of marketing and service abilities and customer development, sales volume reached 15.51 million tons for the year ended 31 December 2010, up 1.81% year on year, continuously consolidated the leading market status as the largest fertilizer distributor and service provider in China.

Potash Operation: The sales volume of potash fertilizers rose to 2.77 million tons, up by 17.28% year on year. In view of the positive potash market movement, especially the gradual recovery in the second half of the year, the Group grasped the chances, realized profit on potash business, maintained its leading status in domestic market. As far as the product procurement is concerned, the Group achieved further solid cooperation with international core suppliers, signed potash supply MOU for the year from 2011 to 2013, successfully closed the joint negotiations on potash import. At the same time, the Group realized a more stable strategic cooperation with domestic potash producer, Qinghai Salt Lake Potash Company Limited ("Qinghai Salt Lake"). They lay a good foundation for the potash business operation in 2011.

Nitrogen Operations: Sales volume of nitrogen fertilizers reached 6.82 million tons, up by 10.19% year on year. Nitrogen fertilizer business structure was optimized, procurement quantity from core suppliers increased by 47% over 2009, direct sales proportion increased to 54%, effectively reducing the logistic expenses and capital cost. The Group's business operation ability on low margin product like nitrogen fertilizer was improved. The Group strengthened the relationship with Nitrogen Fertilizer Industry Association, was promoted to the membership of Vice General Director from director membership, industrial influence became stronger.

Phosphate and Compound Fertilizer Operations: sales volume of phosphate fertilizers reached 3.31 million tons, down 10.32% year on year; sales volume of compound fertilizers reached 2.06 million tons, up 0.29% year on year. The Group improved suppliers base of the domestic phosphate business, achieved cost advantage by mass and stable procurement operation, as well as the enlarged proportion of direct sale to big customers. The Group deployed the synergic and integrated business operation, ensuring the Group's subsidiary production enterprises to maintain relatively high capacity utilization as well as meeting fertilizer demand from the distribution network.

Production

In 2010, the Group had no newly built project, expansion or new acquisition. Total fertilizer production capacity of subsidiaries and joint ventures of the Group remained to be 10.34 million tons. The production enterprises constantly pushed forward lean management, pursued technology advance, enhanced technological innovations, implemented the low-cost strategy.

Sinochem Chongqing Fuling Chemical Fertilizer Company Limited ("Sinochem Fuling"), a subsidiary of the Group, produced 1 million tons phosphate fertilizers, 455,000 tons compound fertilizers in the year, setting a new historical high level. Sinochem Fuling realized a new breakthrough on self innovation of fine phosphate chemical business, achieving a total of 19 patents. Sinochem Jilin Changshan Chemical Company Limited ("Sinochem Changshan") completed technological upgrading on compound fertilizer facilities, annual production of urea topped 300,000 tons, realizing a new historical high level. Sinochem Pingyuan Chemical Company Limited ("Sinochem Pingyuan") completed the disposal of its non-core assets, implemented various projects including polypeptide urea, the second phase of feedstock coal briquetting, and desulphurization went into successful operation, annual urea production exceeded 900,000 tons. Sinochem Shangdong Fertilizer Company Limited ("Sinochem Shangdong") focused on lean management and technological innovations, the project of reducing overall energy consumption was assessed as excellent Quality Control achievement in the national chemical industry. Sinochem Yantai Crop Nutrition Company Limited ("Sinochem Yantai") initially realized the transformation from a traditional blending plant to a newly featured enterprise producing specialty fertilizer, polypeptide slow and controlling release products and trace element products.

Network Distribution

In 2010, the Group enhanced the adjustment and optimization on the existing distribution network, adjusted the layout of part distribution centers and improved their business operation performance by establishing grading standard and the road map of adjustment and optimization. Meanwhile, the Group newly built 70 distribution outlets in the year, to further enlarge the network coverage. The newly built distribution centers were mainly located at Guangxi province and southwest of China, achieved improved network coverage and more reasonable layout. As at 31 December 2010, the Group owned 2,106 distribution outlets in total, fertilizer sales volume through the network reached 9.30 million tons. In addition to the above, the Group continued to push forward organic growth of the distribution network, focused on developing township customers. As at 31 December 2010, the distribution network owned 43,700 trading customers, including 37,400 township customers.

Moreover, in view of the policies encouraging arable land transfers and implementing mass operation in terms of agricultural production, the Group followed the overall domestic agricultural development trend, established two "Fert-Mart" agricultural inputs superstores respectively at Pingdu County, Shandong province in June, and Jinhua county, Zhejiang province in November, providing "one-stop shopping" services to emerging prime customers in the rural areas, such as big crop-growers, farmers' cooperatives, group-buying farmers and village retail stores with fertilizers, pesticides, seeds, agricultural production tools and books. In the meantime, the Group made efforts to help farmers to improve planting skills and to enlarge "Fert-Mart" and the Group's brand influence by carrying out various agrichemical service activities including onsite expert consultation, pilot village planting and agrichemical service class.

Internal Control and Management

The Group paid constant attentions to the security of shareholders' assets, adhered to a sound financial policy, rationally adjusted financing structure, made efforts to reduce financing cost subject to meeting the capital requirement for the Group's development. At the meantime, the Group emphasized on supporting business development through innovations of cooperations mode.

The Group's internal control and risk management system was built according to the "Internal Control – Integrated Framework" published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the United States, and the "Internal Control and Risk Management – A Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants, and was in reference to the "Basic Rules of the Enterprise Internal Control" and its referencing guidelines issued by five ministries of China central government. The Group conducted annual assessment on comprehensive risk management, which provided effective support to ensure shareholders' interests, assets safety and strategic implementation, and it meets the compliance requirements from the overseas regulatory organizations.

Corporate Social Responsibility

The Group always adheres to the corporate mission of "Harmonious China, Safe Agriculture, Sinofert whole-heartedly serving the Chinese farmers", and provides various agrichemical technological services to meet the needs of the end-users. In 2010, a total of 3,500 agrichemical service events were held, including agrichemical lectures, market consulting, soil testing for formulated fertilization, benefiting about 40 million farmers. The Group enhanced service to pilot fertilization villages cooperated with the Ministry of Agriculture, printed and providing 12,000 "Technical Instructor Manuals" and 910,000 "Agro-technology promotion discount card" to farmers. The Group also made cooperation with National Hybrid Rice R&D Center led by the academician Prof. Yuan Longping, providing specialty fertilizer for super high yield rice and support for the realization of world class rice yield goal of 900 KG/mu. The Group also provided support to hybrid rice planting campaign to promote food production and ensure national food security. In addition, the Group continues to sponsor the Sinochem Agri-Plaza program on China National Radio and the Sinofert Agricultural Express program on CCTV-7, which provide the farmers with information and knowledge on better fertilizer application practices and agricultural product market.

Outlook

In 2011, the world economy is expected to maintain recovery trend, but there are more instable factors and uncertainties emerging, the recovery might encounter difficulties and even setbacks. China economy is expected to maintain positive development, with annual grow rate around 8%. The macro economy adjustment and control policies adopted by the central government will focus on "maintaining stable economic growth, optimizing economic structure and reining in inflation", and pay more attention on inflation expectation management and price stablization, credit tightening and financing cost increase will become an inevitable problem for all types of industries.

China has achieved continuous increase of grains production in the past seven consecutive years, and is able to maintain a balance between supply and demand and gain extra reserve in bumper years. However, frequent natural disasters lead to food supply tightness in the world, the threat of food crisis is coming imminent, China government has to make relentless effort to achieve stable grains production.

In 2011, China central government continue to strengthen favourable policy aiming to benefit and support "agricultural, rural areas and farmers", the State Council issued ten measures to support grains production in February, including enlarging subsidies application, advancing distribution of the subsidies, increasing grains minimum purchasing price, etc. The central government has been making continuous additional input in agriculture, improving the infrastructures and promoting the steady development of agriculture and constant income increase of the farmers. The positive agricultural development environment lays a solid foundation for fertilizer industry's recovery and constantly fast development. With the nationwide grain production capacity expansion program being carried out, domestic fertilizer market will regain stable and long term momentum.

In recent years, with newly added production capacity increased in a fast pace, domestic fertilizer market suffered more apparently excessive oversupply, industrial recombination and conformity trend becomes more obvious in both production and distribution fields. As a leading enterprise in China's fertilizer industry, the Group will strengthen the ability of acquiring natural resources, improve the core competitive edge of subsidiary production enterprises by technological upgrading and innovation. In the meantime, the Group will continue to explore new mode of distribution network development and business operation, greatly enhance value-added service ability in order to realize sustainable development of the Group and create value for shareholders, make greater contribution for national food security and agricultural development.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended 31 December 2010, sales volume of the Group reached 15.51 million tons, and turnover was RMB29,271 million, representing an increase of 1.81% and 8.37%, respectively, over the year of 2009.

For the year ended 31 December 2010, gross profit of the Group reached RMB1,491 million, representing an increase of RMB2,054 million as compared with the gross loss for the year ended 31 December 2009 and profit for the year attributable to shareholders of the Company was RMB536 million, up by RMB1,980 million as compared with the loss for the year ended 31 December 2009. Excluding the change in fair value of derivative component of the convertible loan notes, profit for the year attributable to shareholders of the Company would be RMB437 million, representing an increase of RMB1,931 million as compared with the loss for the year of 2009.

I. Operation Scale

1. Sales Volume

For the year ended 31 December 2010, sales volume of the Group reached 15.51 million tons, up by 1.81% over the year of 2009. Due to the recovery of potash market, the sales volume of imported fertilizers went up by 15.09% year on year to 3.23 million tons in 2010. The sales volume of domestic fertilizers was 11.73 million tons, a minor increase over the year of 2009.

In terms of product composition, the potash demand recovered in 2010 after a sharp fall in 2009, the Group maintained potash business, especially the imported potash business with relative sharp competitive edge, through innovative potash business operation and sales expansion. Sales volume of potash increased by 17.28% year on year. By relying on the product supply from equity share-controlling plants of the Group and the building of core supplier system, and expanded sales volume through the distribution network, nitrogen sales volume increased by 10.19% year-on-year. Following a relatively stable demand, sales volume of compound fertilizers nearly unchanged over last year. Sales volume of phosphate was down by 10.32% over 2009 and sales volume of domestic high-concentration phosphate remained stable, but sales volume of imported phosphate decreased due to the high price on the international phosphate market.

2. *Turnover*

For the year ended 31 December 2010, turnover of the Group was RMB29,271 million, up by RMB2,260 million over the year of 2009, which represented an increase of 8.37%, much higher than the 1.81% growth rate in sales volume, thanks to the increasing prices in 2010. The Group's average selling price was 6.45% up over the year of 2009.

Table 1:

	For the year ended 31 December			
	2010		2009	
	Turnover *RMB'000*	**As percentage of total turnover**	Turnover *RMB'000*	As percentage of total turnover
Potash fertilizers	**7,321,999**	**25.01%**	6,750,208	24.99%
Nitrogen fertilizers	**9,875,618**	**33.74%**	8,254,933	30.56%
Compound fertilizers	**4,547,083**	**15.53%**	4,716,023	17.46%
Phosphate fertilizers	**6,380,334**	**21.80%**	6,511,440	24.11%
Others	**1,146,043**	**3.92%**	778,105	2.88%
Total	**29,271,077**	**100.00%**	27,010,709	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 profit (loss) by operating segment for the years ended 31 December 2010 and 2009:

Table 2:

2010

	Sourcing & Distribution *RMB'000*	**Production** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
Turnover				
External sales	**25,324,421**	**3,946,656**	**–**	**29,271,077**
Inter-segment sales	**358,022**	**2,970,394**	**(3,328,416)**	**–**
Total	**25,682,443**	**6,917,050**	**(3,328,416)**	**29,271,077**
Segment profit	**451,862**	**73,198**		**525,060**

2009

	Sourcing & Distribution *RMB'000*	Production *RMB'000*	Eliminations *RMB'000*	Total *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 profit (loss)	(2,542,804)	167,234		(2,375,570)

Segment profit (loss) represents the profit (loss) earned by each segment without taking into account of unallocated expenses and incomes, changes in fair value of derivative component of the convertible loan notes, and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

The domestic fertilizer industry experienced a strong trend of recovery and maintained a sustainable and steady development. This led to a significant improvement in the Group's results for the year ended 31 December 2010 compared with the year of 2009. Among this, the Sourcing and Distribution Segment recorded a profit of RMB452 million for the year ended 31 December 2010, up by RMB2,995 million over the year of 2009. The profit was mainly attributable to the increase in prices of the fertilizers compared to the year of 2009 as the global fertilizer price recovered, price of all types of fertilizer increased compared with that of 2009. The profit of the Production Segment decreased by RMB94 million from the year of 2009 to RMB73 million mainly due to a high price for coal in the 2H of 2010 nitrogen enterprises needed to pay.

II. Profit

1. Gross profit

For the year ended 31 December 2010, gross profit of the Group was RMB1,491 million, representing an increase of RMB2,054 million over the year ended 31 December 2009.

The Group adopted different strategies for different products. The potash price stopped plunging and started to go up steadily in 2010, which resulted in gross profit in potash; the nitrogen price fluctuated in 2010 and the Group adopted a policy of "frequent purchase and quick sales" and effectively avoided the risk of price fluctuations, but the profit margin was further compressed which led to the decrease in gross profit; the Group seized the opportunity of market recovery in 2010, continued to consolidate the domestic and overseas supply system, brought into full play the advantage of high-quality, adequate and cost-competitive product supply and ensured a sustainable and steady enhancement in profitability of phosphates through the well-placed distribution network system.

In summary, except for the nitrogen business, profitability of the Group's other types of fertilizers enjoyed a steady improvement.

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 2010, the share of results of jointly controlled entities of the Group was a profit of RMB58 million, including a profit of RMB80 million from production enterprises such as Yunnan Three Circle-Sinochem Fertilizer Co., Ltd., Guiyang Sinochem Kailin Fertilizer Company Limited, Yunnan Three Circle-Sinochem-Cargill Fertilizer Co. Ltd. and Gansu Wengfu Chemical Co., Ltd., and a loss of RMB22 million from Tianji Sinochem Gaoping Chemical Limited ("Tianji JV"). The share of results of jointly controlled entities of the Group increased by RMB116 million compared to the loss of RMB58 million for the year ended 31 December 2009. This was mainly attributable to that the price increase of phosphate helped the Group's shareholding phosphate production enterprises gained profit after the market recovery in 2010. As a result of the constant price increase of coal, the nitrogen enterprises suffered a loss.

Share of results of associates: For the year ended 31 December 2010, the share of results of associates of the Group amounted to RMB185 million, down by RMB66 million compared to the year of 2009. This was mainly attributable to that the potash market price remained at a relatively low level, even though it experienced some rebounce thus the profitability in 2010 was lower than that of 2009.

3. *Income tax (expenses) credit*

For the year ended 31 December 2010, income tax expense of the Group was RMB0.5 million, compared with the income tax credit of RMB683 million for the year ended 31 December 2009, due to the fact that fertilizer market recovery led to overall profit and consequent income tax expenses recorded by the Group.

The subsidiaries of the Group were mainly 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 2010, profit for the year attributable to shareholders was RMB536 million, which was RMB1,980 million more than the loss for the year attributable to shareholders of the Company for the year of 2009. This was attributable to that as the fertilizer market gradually got rid of the impact of the financial crisis, the Group actively took operational measures, applied strict control on inventory risk, pushed for faster turnover rate, optimized the unified capital operations of both the domestic and overseas units, reduced finance cost and increased the Group's profit.

For the year ended 31 December 2010, net profit margin of the Group was 1.83%, and 1.49% excluding the effect of the change in fair value of the derivative component of convertible loan notes. The above net profit margin was calculated by dividing the net profit attributable to the Company's shareholders by the total revenue.

III. Expenditures

Distribution and selling expenses: For the year ended 31 December 2010, distribution and selling expenses were RMB763 million, down by RMB69 million or 8.32% from that of RMB833 million for the year of 2009. Such a decrease was mainly attributed to the decrease in logistics costs, such as costs for warehousing and storage, as the group applied strict control on inventory risk and pushed for faster turnover rate.

Administrative expenses: For the year ended 31 December 2010, administrative expenses were RMB500 million, or nearly unchanged from that of RMB492 million for the year of 2009.

Finance costs: For the year ended 31 December 2010, finance costs were RMB315 million, down by RMB137 million, or 30.27% over that of RMB451 million for the year 2009. The major reasons were i) the Group reduced capital demand by accelerating inventory turnover; and ii) the Group improved capital efficiency and reduced capital costs in different ways by leveraging on its integrated capital system both domestic and abroad.

IV. Other Income and Gains

For the year ended 31 December 2010, the Group's other income and gains amounted to RMB372 million, down by RMB399 million, or 51.77% from that of RMB772 million for the year of 2009. The major reason was gain of RMB429 million realized from the disposal of shares of Hualu Hengsheng Chemical Co., Ltd and Luxi Chemical Industry Co., Ltd in 2009.

V. Other Expenses and Loss

For the year ended 31 December 2010, the Group's other expenses and loss amounted to RMB143 million, which represented a decrease of RMB682 million or 82.69% over that of RMB825 million for the year of 2009. The major reason is the write-down of inventories in 2010 was RMB690 million less than that of 2009 as the fertilizer market recovered and price went up in 2010.

VI. Inventory Turnover

The inventory balance of the Group as at 31 December 2010 was RMB5,138 million, decreased by RMB691 million, or 11.85% from that of RMB5,829 million as at 31 December 2009. This was mainly attributable to that the Group applied strict control on inventory risk and pushed for faster turnover rate. Inventory turnover days [note] decreased from 114 days in 2009 to 71 days in 2010.

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 Receivables Turnover

The balance of the Group's trade and bills receivables as at 31 December 2010 was RMB3,060 million, up by RMB284 million from that of RMB2,776 million as at 31 December 2009. This was mainly because of the increase of bills receivables.

As the 8.37% increase in turnover from the year in 2009 was lower than the increase percentage of the balance of the trade and bills receivables, trade and bills receivables turnover day [note] increased from 19 days in 2009 to 27 days in 2010.

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)

VIII. Interests in Jointly Controlled Entities

As at 31 December 2010, the balance of the Group's interests in jointly controlled entities was RMB589 million, down by 19.14% from that of RMB729 million as at 31 December 2009. The main reason was the Group disposed partial equity interest in Tianji JV and after the disposal, the remaining equity interest in Tianji JV was reclassified from interest in jointly controlled entities to available-for-sale investments as the Group no longer had joint control or significant influence on Tianji JV.

IX. Interests in Associates

The balance of the Group's interests in associates as at 31 December 2010 was RMB7,192 million, which was mainly attributed to:

1. The balance of interests in Qinghai Salt Lake as at 31 December 2010 was RMB7,032 million, including RMB186 million of investment returns generated for the year ended 31 December 2010 and RMB57 million of dividends for the year 2009 received from Qinghai Salt Lake during the reported period;

2. The balance of interests in Guizhou Xinxin Industrial and Agricultural Trading Co., Ltd. as at 31 December 2010 was RMB143 million, including an investment loss of RMB1 million recorded for the year ended 31 December 2010;

3. The balance of interests in Yara Sinochem Environmental Protection Co., Ltd. was RMB3 million, including a further investment of RMB2 million from Sinochem Fertilizer Company Limited ("Sinochem Fertilizer"), a subsidiary of the Group, and an investment loss of RMB1 million for the year ended 31 December 2010;

4. The balance of interests in Qingdao Ganghua Logistics Co., Ltd. and Tianjin North Sea Industrial Co, Ltd. was RMB2 million and RMB12 million respectively.

X. Available-for-sale Investments

As at 31 December 2010, the balance of the Group's available-for-sale investments was RMB267 million, while the balance as at 31 December 2009 was RMB177 million. The increase of RMB90 million or 50.69% was mainly attributable to:

1. Sinochem Fertilizer Company Limited, a subsidiary of the Group, disposed partial equity interest in Tianji JV, and the remaining equity interest in Tianji JV was measured at fair value in the amount of RMB85 million and reclassified as available-for-sale investments.

2. An appreciation of RMB5 million was realised as a result of fair value change in shares in the listed companies held by the Group as at 31 December 2010, including China XLX Fertiliser Ltd. and Qinghai Salt Lake Industry Group Co., Ltd.

XI. Long and Short-Term Loans

As at 31 December 2010, the balance of the Group's long-term and short-term loans was RMB6,566 million, down by RMB1,002 million or 13.24% over that of RMB7,569 million as at 31 December 2009. This was mainly attributable to that the Group enhanced selling and thus generated relatively larger amount of operating cash flow, and reduced the amount of debt financing after the recovery of fertilizer market.

XII. Trade and Bills Payables

As at 31 December 2010, the balance of the Group's trade and bills payables was RMB2,576 million, increasing by RMB381 million over that of RMB2,194 million as at 31 December 2009. The main reason was that higher imported potash volume drove trade payables up. The balance of bills payables as at 31 December 2010 decreased by RMB671 million from that as at 31 December 2009, which was mainly attributable to adequate working capital resulted from recovered fertilizer market.

XIII. Convertible Loan Notes

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

As at 31 December 2010, the total face value of outstanding convertible loan notes was approximately HK$622 million, which remained unchanged from that as at 31 December 2009.

The Group arranged an independent assessment on the fair value of derivative components of the outstanding convertible loan notes on 31 December 2010. The gain arising from the change in fair value of derivative components of the convertible loan notes and the interests on the convertible loan notes was RMB98 million and RMB42 million, respectively, which were reflected in the consolidated statement of comprehensive income for the year.

XIV. Other Financial Indicators

Basic earnings per share for the year ended 31 December 2010 was RMB0.0763, which grew by RMB0.2822 from the basic loss per share of RMB0.2059 in the year of 2009. Return on equity (ROE) for the year ended 31 December 2010 was 4.25%, increased by 16.13 percentage points from the return on equity (ROE) of -11.88% in the year of 2009. This was mainly attributable to that the group recovered from the losses in 2009 with the recovery of the domestic fertilizer market in 2010.

Table 3:

	2010	2009
Profitability		
Earnings (Loss) per share *(RMB)* *(Note 1)*	**0.0763**	(0.2059)
ROE *(Note 2)*	**4.25%**	(11.88%)

Note 1: Calculated on the basis of profit (loss) 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 profit (loss) attributable to the shareholders of the Company for the reporting period divided by equity attributable to the shareholders of the Company as at the end of the reporting period.

As at 31 December 2010, the Group's current ratio was 1.21, and the debt-to-equity ratio was 55.27%, representing a stable financial structure.

Table 4:

	2010	2009
Solvency		
Current ratio *(Note 1)*	**1.21**	1.28
Debt-to-Equity ratio *(Note 2)*	**55.27%**	48.82%

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 receivables).

XV. 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 2010, cash and cash equivalents of the Group amounted to RMB223 million, which was mainly denominated in RMB and US dollar.

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

Table 5:

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Secured	**119,794**	2,172,643
Unsecured	**3,967,479**	2,919,422
Bonds		
Principal amount	**2,500,000**	2,500,000
Less: amortized transaction costs	**(20,915)**	(23,265)
Total	**6,566,358**	7,568,800

Table 6:

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Carrying amount repayable		
Within one year	**2,993,369**	3,767,871
Within 1-5 years	**1,083,904**	1,204,194
Over 5 years	**2,489,085**	2,596,735
Total	**6,566,358**	7,568,800

Table 7:

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Fixed-rate borrowings	**2,831,783**	5,166,013
Variable-rate borrowings	**3,734,575**	2,402,787
Total	**6,566,358**	7,568,800

As at 31 December 2010, certain property, plant and equipment, prepaid lease payments and bills receivables with carrying amount of RMB172 million, RMB27 million and RMB65 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 2010, the Group had banking facilities of RMB39,750 million, including US$1,705 million and RMB28,458 million. The amount of utilized banking facilities was US$474 million and RMB2,589 million and that of unutilized banking facilities was US$1,231 million and RMB25,869 million.

XVI. Operation and Financial Risks

The recovery of the world economy is of great uncertainty; fertilizer price is 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 amount of the Group's foreign currency dominated assets and liabilities is immaterial. 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 statement of financial position as at 31 December 2010. 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.

XVII. Contingent Liabilities

As at 31 December 2010, the Group had no material contingent liabilities.

XVIII. Capital Commitment

Table 8:

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Capital expenditure in respect of property, plant and equipment		
Contracted but not provided for	**26,117**	69,983
Authorized but not contracted for	**1,848,543**	149,981
Total	**1,874,660**	219,964

The Group plans to finance the above capital expenditure by internal resources. Besides the capital commitment stated above, the Group had no other material plans for major investment or capital asset acquisitions.

XIX. Major Investments and Disposal

As at 31 December 2010, the Group had no material investment expenditure or disposal.

XX. Human Resources Capital

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 a 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 determined based on the results of the Group and share options granted under the share option schemes of the Company. The Remuneration Committee performs regular review on the emoluments of the Directors. No Director, or any of his associates and executives, is involved in deciding his/her 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 2010, the Group had about 11,052 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. In 2010, the Group provided 54,355 hours of training in aggregate for about 5,356 person-times. The training courses covered areas such as industry development, marketing management, operation and management, laws and regulations, lean management, project management, finance, logistics, information technology, safe production and general working skills. These training further improve the management skills and professional standard of the management of the Group and enhance the overall quality of the employees to cater to the Group's rapid developments; hence, improving 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 2010, together with the comparative figures for prior year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	**2010** **RMB'000**	2009 *RMB'000*
Revenue	*3*	**29,271,077**	27,010,709
Cost of sales		**(27,780,079)**	(27,573,458)
Gross profit (loss)		**1,490,998**	(562,749)
Other income and gains	*4*	**372,069**	771,523
Distribution and selling expenses		**(763,325)**	(832,566)
Administrative expenses		**(500,305)**	(491,679)
Other expenses and losses		**(142,796)**	(824,696)
Share of results of associates		**184,565**	250,322
Share of results of jointly controlled entities		**58,118**	(57,545)
Finance costs	*5*	**(314,789)**	(451,418)
Changes in fair value of derivative financial instruments		**98,327**	49,712
Profit (loss) before tax		**482,862**	(2,149,096)
Income tax (expense) credit	*6*	**(481)**	683,127
Profit (loss) for the year	*7*	**482,381**	(1,465,969)

	Notes	**2010** *RMB'000*	2009 *RMB'000*
Other comprehensive loss			
Exchange differences arising on translation		**(139,760)**	(13,618)
Changes in fair value of available-for-sale investments		**(5,222)**	389,877
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of available-for-sale investments		**–**	(491,388)
Reclassification adjustment for the cumulative loss included in profit or loss upon impairment of available-for-sale investments		**16,079**	–
Income tax relating to components of other comprehensive income		**(420)**	30,170
Other comprehensive loss for the year (net of tax)		**(129,323)**	(84,959)
Total comprehensive income (loss) for the year		**353,058**	(1,550,928)
Profit (loss) for the year attributable to:			
– Owners of the Company		**535,711**	(1,443,813)
– Non-controlling interests		**(53,330)**	(22,156)
		482,381	(1,465,969)
Total comprehensive income (loss) attributable to:			
– Owners of the Company		**406,388**	(1,528,772)
– Non-controlling interests		**(53,330)**	(22,156)
		353,058	(1,550,928)
Earnings (loss) per share			
Basic *(RMB)*	*9*	**0.0763**	(0.2059)
Diluted *(RMB)*	*9*	**0.0667**	(0.2059)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Non-current Assets			
Property, plant and equipment		**4,848,151**	4,994,863
Prepaid lease payments		**515,916**	478,309
Investment properties		**14,600**	14,600
Goodwill		**568,705**	579,258
Other long-term assets		**40,443**	44,173
Interests in associates		**7,192,250**	7,063,857
Interests in jointly controlled entities		**589,486**	729,008
Available-for-sale investments		**266,624**	176,934
Advance payment for acquisition of property, plant and equipment		**25,420**	23,117
Deferred tax assets		**868,894**	895,316
		14,930,489	14,999,435
Current Assets			
Inventories		**5,138,088**	5,828,901
Trade and bills receivables	*10*	**3,059,884**	2,775,778
Advance payments to suppliers		**1,853,543**	1,116,548
Other receivables		**134,763**	326,722
Prepaid lease payments		**31,741**	30,276
Other deposits		**50,100**	–
Pledged bank deposits		**22,638**	22,907
Bank balances and cash		**223,317**	190,584
		10,514,074	10,291,716
Current Liabilities			
Trade and bills payables	*11*	**2,575,807**	2,194,487
Receipts in advance		**2,160,939**	1,383,572
Other payables		**293,784**	554,231
Derivative financial instruments		**48,058**	–
Tax liabilities		**4,414**	139,803
Convertible loan notes		**646,486**	–
Borrowings – due within one year		**2,993,369**	3,767,871
		8,722,857	8,039,964
Net Current Asset		**1,791,217**	2,251,752
Total Assets less Current Liabilities		**16,721,706**	17,251,187

	2010	2009
	RMB'000	*RMB'000*
Capital and Reserves		
Issued equity	**8,260,977**	8,248,928
Reserves	**4,343,287**	3,903,010
Equity attributable to owners of the Company	**12,604,264**	12,151,938
Non-controlling interests	**329,770**	383,100
Total Equity	**12,934,034**	12,535,038
Non-current Liabilities		
Deferred tax liabilities	**54,048**	68,550
Borrowings – due after one year	**3,572,989**	3,800,929
Convertible loan notes	**–**	626,240
Derivative financial instruments	**–**	149,175
Deferred income	**160,635**	71,255
	3,787,672	4,716,149
Total Equity and Non-current Liabilities	**16,721,706**	17,251,187

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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 that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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 2009 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 Standards and Interpretations applied in the current year

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Amendments to HKAS 31 included in Improvements to HKFRSs issued in 2010
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and disclosures set out in these consolidated financial statements.

HKAS 31 (as revised in 2008) Interests in Joint Ventures

The principle adopted under HKAS 27(as revised in 2008) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to HKAS 31. Therefore, when joint control over a joint venture is lost, the investor measures any investment retained in the former joint venture at fair value, with any consequential gain or loss recognised in profit or loss. In addition, as part of Improvements to HKFRSs issued in 2010, HKAS 31 (as revised in 2008) has been amended to clarify that the consequential amendments to HKAS 31 in relation to transactions where the investor loses joint control over a joint venture should be applied prospectively. The Group has applied the amendments to HKAS 31 (as revised in 2008) as part of Improvements to HKFRSs issued in 2010 in advance of their effective dates (annual periods beginning on or after 1 July 2010).

This change in policy has affected the accounting for the partial disposal of the Group's interest in Tianji Sinochem Gaoping Chemical Engineering Company Limited ("Tianji Sinochem Gaoping") in the current year (Details of the disposal are set out in Note 23). The difference of RMB8,609,000 between the carrying amount of RMB76,391,000 of the interest retained in Tianji Sinochem Gaoping by the Group and its fair value of RMB85,000,000 at the date of the partial disposal has been recognised as other income and gains in profit or loss in the current year. Had the Group's previous accounting policy been followed, the carrying amount of the interest retained would have been regarded as cost of the investment for the purpose of subsequent accounting as an available-for-sale investment under HKAS 39 Financial Instruments: Recognition and Measurement; and the movement in fair value of RMB8,609,000 would have been recognised in other comprehensive income. The profit for the current year has therefore been increased by RMB8,609,000 as a result of the change in accounting policy. This increase will be offset by a decrease in profits of an equivalent amount when the investment is disposed of in future accounting periods.

The above change in accounting policies has resulted the basic earnings per share in 2010 increased from RMB0.0751 to RMB0.0763 and diluted earnings per share from RMB0.0655 to RMB0.0667. The change has no impact on basic and diluted earnings per share in 2009.

3. SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of business model.

The Group's operating segments under HKFRS 8 Operating Segments 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

2010

	Sourcing and distribution *RMB'000*	Production *RMB'000*	Total *RMB'000*
Revenue			
External revenue	**25,324,421**	**3,946,656**	**29,271,077**
Inter-segment revenue	**358,022**	**2,970,394**	**3,328,416**
Segment revenue	**25,682,443**	**6,917,050**	**32,599,493**
Elimination	**(358,022)**	**(2,970,394)**	**(3,328,416)**
	25,324,421	**3,946,656**	**29,271,077**
Segment profit	**451,862**	**73,198**	**525,060**
Unallocated expenses			**(48,642)**
Unallocated income			**222,906**
Finance costs			**(314,789)**
Changes in fair value of derivative financial instruments			**98,327**
Profit before tax			**482,862**

	Sourcing and distribution *RMB'000*	Production *RMB'000*	Total *RMB'000*
ASSETS			
Segment assets	**8,310,672**	**15,698,601**	**24,009,273**
Available-for-sale investments			**266,624**
Deferred tax assets			**868,894**
Other unallocated assets			**299,772**
Consolidated total assets			**25,444,563**
LIABILITIES			
Segment liabilities	**3,358,989**	**1,820,592**	**5,179,581**
Deferred tax liabilities			**54,048**
Other unallocated liabilities			**7,276,900**
Consolidated total liabilities			**12,510,529**

2009

	Sourcing and distribution *RMB'000*	Production *RMB'000*	Total *RMB'000*
Revenue			
External revenue	24,118,030	2,892,679	27,010,709
Inter-segment revenue	254,580	3,144,899	3,399,479
Segment revenue	24,372,610	6,037,578	30,410,188
Elimination	(254,580)	(3,144,899)	(3,399,479)
	24,118,030	2,892,679	27,010,709
Segment (loss) profit	(2,542,804)	167,234	(2,375,570)
Unallocated expenses			(78,987)
Unallocated income			215,779
Finance costs			(451,418)
Changes in fair value of derivative financial instruments			49,712
Gain on disposal of available-for-sale investments			491,388
Loss before tax			(2,149,096)

	Sourcing and distribution *RMB'000*	Production *RMB'000*	Total *RMB'000*
ASSETS			
Segment assets	8,740,750	15,282,517	24,023,267
Available-for-sale investments			176,934
Deferred tax assets			895,316
Other 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
Other unallocated liabilities			8,480,283
Consolidated total liabilities			12,756,113

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by or loss from each segment without taking into account of unallocated expenses/income, changes in fair value of derivative financial instruments 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 operating segments other than corporate assets, investment related assets and deferred tax assets; and

- All liabilities are allocated to operating segments other than corporate liabilities, current and deferred tax liabilities.

In the current year, share of results of associates and share of results of jointly controlled entities are included in the measure of segment results and interests in associates and interest in jointly controlled entities are included in the measure of segment assets when report to the Group's chief operating decision maker. In 2009, they were not included in the measure of segment results or segment assets. As a result of the change in the measurement method, the segment profit of sourcing and distribution segment in 2010 has decreased by RMB829,000 (2009: segment loss increased by RMB1,411,000), and the segment profit of production segment in 2010 has increased by RMB243,512,000 (2009: RMB194,188,000); meanwhile, the segment asset of sourcing and distribution segment in 2010 has increased by RMB19,636,000 (2009: RMB19,448,000), and the segment asset of production segment in 2010 has increased by RMB7,762,100,000 (2009: RMB7,773,417,000). The relevant segment information for the year 2009 has been represented based on the measurement method of 2010.

(b) Other segment information

2010

	Sourcing and distribution *RMB'000*	**Production** *RMB'000*	**Corporate unallocated** *RMB'000*	**Total** *RMB'000*
Amounts included in the measures of segment profit (loss) and segment assets:				
Additions to non-current assets	**11,436**	**458,307**	**8**	**469,751**
Interests in associates	**17,327**	**7,174,923**	**–**	**7,192,250**
Interests in jointly controlled entities	**2,309**	**587,177**	**–**	**589,486**
Allowance provided on trade receivables	**–**	**11,913**	**–**	**11,913**
Write-down of other receivable	**2,620**	**8,657**	**–**	**11,277**
Impairment on property, plant and equipment	**–**	**40,681**	**–**	**40,681**
Depreciation and amortization	**8,298**	**247,924**	**1,015**	**257,237**
Release of prepaid lease payments	**–**	**30,791**	**–**	**30,791**
Write-down of inventories	**64,832**	**5,350**	**–**	**70,182**
Loss (gain) on disposal of property, plant and equipment	**71**	**(4,049)**	**–**	**(3,978)**
Share of results of associates	**(962)**	**185,527**	**–**	**184,565**
Share of results of jointly controlled entities	**133**	**57,985**	**–**	**58,118**
Gain on disposal of a subsidiary	**–**	**51,262**	**–**	**51,262**
Gain on disposal of a jointly controlled entity	**–**	**23,665**	**–**	**23,665**
Write-off of non-demand payables	**25,857**	**48,090**	**289**	**74,236**

2009

	Sourcing and distribution *RMB'000*	Production *RMB'000*	Corporate unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measures of segment profit (loss) and segment assets:				
Additions to non-current assets	13,848	530,457	26	544,331
Interests in associates	17,272	7,046,585	–	7,063,857
Interests in jointly controlled entities	2,176	726,832	–	729,008
Allowance provided on trade receivables	(225)	3,609	–	3,384
Write-down of other receivables	–	8,892	–	8,892
Depreciation and amortization	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
Share of results of associates	(1,523)	251,845	–	250,322
Share of results of jointly controlled entities	112	(57,657)	–	(57,545)

(c) Revenue from major products

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

	2010	2009
	RMB'000	*RMB'000*
Potash fertilizers	**7,321,999**	6,750,208
Nitrogen fertilizers	**9,875,618**	8,254,933
Compound fertilizers	**4,547,083**	4,716,023
Phosphate fertilizers	**6,380,334**	6,511,440
Others	**1,146,043**	778,105
Total	**29,271,077**	27,010,709

(d) Geographical information

The Group's operations are mainly located in the PRC mainland and Macao Special Administrative Region ("Macao SAR").

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

	Revenue from external customers		**Non-current assets**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC	**27,704,478**	26,450,172	**13,794,724**	13,925,838
Others	**1,566,599**	560,537	**247**	1,347
	29,271,077	27,010,709	**13,794,971**	13,927,185

(e) Information about major customers

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

4. OTHER INCOME AND GAINS

	2010 *RMB'000*	2009 *RMB'000*
Rental income	**2,625**	3,165
Dividend income from available-for-sale investments *(note a)*	**2,271**	9,976
Interest income from bank deposits	**4,587**	4,175
Government grants *(note b)*	**114,422**	104,142
Exchange gain	**35,753**	–
Gain on disposal of available-for-sale investments	**–**	491,388
Gain on disposal of property, plant and equipment	**3,978**	–
Release of deferred income	**8,720**	5,684
Compensation received	**8,022**	6,493
Gain on debt restructuring *(note c)*	**–**	81,139
Write-off of non-demand payables	**74,236**	–
Gain on disposal of a subsidiary	**51,262**	–
Gain on disposal of a jointly controlled entity *(note d)*	**23,665**	–
Sales of scrapped materials	**24,544**	53,109
Others	**17,984**	12,252
	372,069	771,523

Notes:

a: Included above is dividend income from listed investments of RMB1,608,000 (2009: RMB9,976,000) and from unlisted investments of RMB663,000 (2009: nil).

b: Government grants mainly comprised payments from the government to support the development of the business of the group entities in accordance with applicable regulations in the PRC.

c: The gain on debt restructuring in 2009 mainly comprises a waiver of interest payables to a bank upon full settlement of the principal outstanding.

d: During the year, the Group partially disposed of its investment in a jointly controlled entity to its venturer at a consideration of RMB110,000,000 and a gain of RMB23,665,000 is recognized in profit or loss. The remaining interest in this entity was accounted for as available-for-sale investments, which is initially recognized at its fair value of RMB85,000,000.

5. FINANCE COSTS

	2010 *RMB'000*	2009 *RMB'000*
Interests on borrowings		
– wholly repayable within five years	**208,186**	441,230
– not wholly repayable within five years	**127,605**	21,603
Interests on convertible loan notes	**42,255**	40,042
Less: amount capitalized	**(63,257)**	(51,457)
	314,789	451,418

Borrowing costs capitalized during the year arose on the general borrowing pool and are calculated by applying a capitalization rate of 5.86% (2009: 5.92%) per annum to expenditure on qualifying assets.

6. INCOME TAX (EXPENSE) CREDIT

	2010 RMB'000	2009 RMB'000
Current tax		
Hong Kong Profits Tax	**(3,972)**	(1,960)
PRC Enterprise Income Tax	**(6,634)**	(27,587)
	(10,606)	(29,547)
Overprovision in prior years:		
PRC Enterprise Income Tax	**19,724**	–
Deferred tax		
Current year	**(9,599)**	712,674
	(481)	683,127

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the year.

PRC Enterprise Income Tax is calculated at 25% on the estimated profit for the year.

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 a 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.

According to the Enterprise Income Tax 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.

A subsidiary of the Company incorporated in Macao SAR is exempted from income tax.

A statement of reconciliation of taxation is as follows:

	2010 RMB'000	2009 RMB'000
Profit (loss) before tax	**482,862**	(2,149,096)
Tax calculated at the applicable tax rate of 25%	**(120,716)**	537,274
Tax effect of expenses not deductible for tax purposes	**(31,571)**	(14,312)
Tax effect of income not taxable for tax purposes	**34,620**	4,358
Tax effect of share of results of jointly controlled entities	**14,530**	(14,386)
Tax effect of share of results of associates	**46,141**	62,581
Effect of different income tax rates	**110,820**	116,397
Overprovision in prior years	**19,724**	–
Effect of tax losses and deductible temporary differences not recognized	**(74,029)**	(8,457)
Others	**–**	(328)
Income tax (expense) credit for the year	**(481)**	683,127

7. PROFIT (LOSS) FOR THE YEAR

	2010	2009
	RMB'000	*RMB'000*
Profit (loss) for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**242,740**	244,264
Impairment on property, plant and equipment	**40,681**	–
Release of prepaid lease payments	**30,791**	30,276
Amortization of other long-term assets	**14,497**	15,150
Allowance provided on trade receivables	**11,913**	3,384
Write-down of other receivables	**11,277**	8,892
(Gain) loss on disposal of property, plant and equipment	**(3,978)**	399
Write-down of inventories *(note)*	**70,182**	760,102
Impairment loss on available-for-sale investments included in other expenses and losses	**16,079**	–
Net foreign exchange losses, included in other expenses and losses	**–**	39,538

Note: The decrease of net realizable value of fertilizer inventories on hand as at reporting period end is due to the decrease of market price. The related write-down of RMB70,182,000 (2009: RMB760,102,000) has been recognized in other expenses and losses.

8. DIVIDENDS

The final dividend of HK$0.0110 (equivalent to approximately RMB0.0094) per share, total dividend of approximately RMB65,715,000 in respect of the year ended 31 December 2010 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting. No dividend was proposed in respect of the year ended 31 December 2009.

	2010	2009
	RMB'000	*RMB'000*
Dividends recognized as distribution during the year:		
No dividend was paid during 2010 (2009: 2008 final dividends of HK$0.0464, equivalent to approximately RMB0.0409 per share)	**–**	286,912
Proposed final dividend of HK$0.0110 (equivalent to approximately RMB0.0094) (2009: no dividend proposed) per share	**65,715**	–

9. EARNINGS (LOSS) PER SHARE

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

	2010	2009
	RMB'000	*RMB'000*
Earnings (loss) for the purpose of basic earnings (loss) per share	**535,711**	(1,443,813)
Effect of dilutive potential ordinary shares:		
Interests on convertible loan notes (net of tax)	**42,255**	–
Changes in fair value of derivative of financial instruments	**(98,327)**	–
Earnings (loss) for the purpose of diluted earnings (loss) per share	**479,639**	(1,443,813)

	2010	2009
	'000 shares	*'000 shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**7,019,206**	7,013,508
Effect of dilutive potential ordinary shares from:		
Share options	**2,271**	–
Convertible loan notes	**170,742**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**7,192,219**	7,013,508

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 assumed exercise and conversion would result in a decrease in loss per share.

10. TRADE AND BILLS RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**62,020**	518,519
Less: allowance for doubtful debts	**(16,120)**	(4,207)
	45,900	514,312
Bills receivables	**3,013,984**	2,261,466
Total trade and bills receivables	**3,059,884**	2,775,778

The Group allows a credit period of approximate 90 days to its trade customers. At the end of reporting period, the aging analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date is as follows:

	2010	2009
	RMB'000	*RMB'000*
Within three months	**43,989**	474,494
More than three months, but not exceeding six months	**456**	5,299
More than six months, but not exceeding one year	**849**	34,098
Exceeding one year	**606**	421
	45,900	514,312

11. TRADE AND BILLS PAYABLES

At the end of reporting period, the aging analysis of trade and bills payables presented based on the invoice date is as follows:

	2010	2009
	RMB'000	*RMB'000*
Within three months	**2,161,941**	1,210,304
More than three months, but not exceeding six months	**260,009**	711,786
More than six months, but not exceeding one year	**34,088**	61,018
Exceeding one year	**119,769**	211,379
	2,575,807	2,194,487

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$0.0110 (equivalent to approximately RMB0.0094) per share for the year ended 31 December 2010 (2009: Nil) to the shareholders.

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.

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 Company for the year ended 31 December 2010.

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 2010.

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 compliance with the Code on Corporate Governance Practices (the "Code on Corporate Governance Practices") contained in Appendix 14 to the Listing Rules.

For the year ended 31 December 2010 and up to the date of this announcement, the Company has complied with the code provisions in the Code on Corporate Governance Practices, and its amendments from time to time, except for the deviations from the code provisions A.1.8 and E.1.2 as described below.

The code provision A.1.8 of the Code on Corporate Governance Practices stipulates that, a board meeting should be held if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material. In addition, independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting. During the year, the Board approved several connected transactions and continuing connected transactions by circulation of written resolutions in lieu of physical board meeting, for which certain Directors who are nominated by the ultimate controlling or substantial shareholders of the Company, were regarded as having material interests therein. As the Directors of the Company are living and working in different countries which are far apart, adoption of written resolutions in lieu of physical board meetings allows the Board to make a decision relatively quicker in response to the rapid change in the fertilizer markets. Before formal execution of the written resolutions, the Directors had discussed on the matters via emails and made amendments to the transactions as appropriate.

Apart from the above, the Company had also deviated from code provision E.1.2. The code provision E.1.2 of the Code on Corporate Governance Practices provides 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 9 June 2010 ("2010 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 2010 AGM, the Chairman of the Board authorized and the Directors attended the meeting elected Mr. Du Ke Ping, the then 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 2010 AGM and were available to answer relevant questions, which was in compliance with other part of code provision E.1.2 of the Code on Corporate Governance Practices.

Save as disclosed above, please refer to the "Corporate Governance Report" contained in the Company's 2010 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. Feng Zhi Bin (Chief Executive Officer) and Mr. Harry Yang; the non-executive directors of the Company are Mr. Liu De Shu (Chairman), Mr. Yang Lin, 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
Feng Zhi Bin
Executive Director and Chief Executive Officer

Hong Kong, 24 March 2011

* *For identification purposes only*