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 2013

FINANCIAL HIGHLIGHTS

- The Group's turnover for the year was RMB34,722 million, decreased by 15.7% year on year
- Loss for the year attributable to owners of the Company was RMB476 million (2012: Profit attributable to owners of the Company was RMB878 million)
- Basic losses per share for the year was RMB0.0678 (2012: basic earnings per share was RMB0.125)
- The Board did not recommend a final dividend for the year ended 31 December 2013 (2012: final dividend of HK$0.0232 per share, equivalent to approximately RMB0.0187 per share)

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I hereby report the annual performance of Sinofert Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2013 to all the shareholders.

In 2013, the economic growth in China slowed down, the oversupply situation in the fertilizer industry was further intensified, the accumulated deep-rooted conflicts became more prominent, the market situation remained sluggish, sales prices of various products continued to decline and the whole industry was encountered with difficulties. Against this background, the Group persisted in the belief that "Each fresh crisis we encounter is an opportunity in disguise" and identified the operation policy of "broadening sources of income and reducing expenditure, reducing the cost and increasing the efficiency and strictly controlling the risks". The sales volume amounted to 16.28 million tons, decreased by 5.02% year on year; sales revenue of the year amounted to RMB34,722 million, decreased by 15.70% year on year; loss attributable to the shareholders of the Company amounted to RMB476 million, with basic losses per share of RMB0.0678. Against the sluggish market situation, the management of the Company took various operation measures so that operation quality indicators such as cash flows from the operation activities, current ratio and capital structure were all in good condition. At the same time, while coping with the market risks, the market status of the Group was also consolidated and the operation capability stood the test. Strategic cooperation with international suppliers in potash remained solid and products based on technology marketing rose to prominence.

Against such severe market situation, the Board of Directors (the "Board") consistently aim to maximize the shareholders' value in the Group, thus we continuously improved corporate governance and optimized the corporate governance mechanism. In compliance with the Corporate Governance Code as required by the Stock Exchange of Hong Kong Limited, the Company held four regular board meetings in 2013 to review and approve certain resolutions regarding the annual report, interim report, corporate development strategy and major investment projects, etc.. The Board of Directors also reviewed material investment projects, connected transactions and other matters from time to time. The Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee under the Board exercised their rights and fulfilled their obligations delegated by the Board in terms of the improvement on the Company's internal control, optimization of remuneration policy and improvement of governance structure.

In the year 2014, the contradiction of oversupply in the fertilizer industry will still be prominent and with the price increase of transportation as well as stricter requirement in terms of safety and environmental protection, the operation cost for enterprises will also increase. Meanwhile, the government is attaching more and more importance to agriculture and will take new measures to strengthen the support and protection efforts for agriculture, deepen the land reform in rural areas, build a new agricultural operation system and quicken rural financial innovation, which will bring new opportunities to the Group in respect of innovative operation and intensive transformation.

Confronted with a complex market environment, the Group will stick to the principle of "changing work style, training hard the internal strength, bringing forth new ideas for operation, deepening transformation and ensuring the leading status in the industry", persist in advancing the seven strategies of "marketing, industry, resource, science and technology, information technology, human resources and HSE" and strengthen the implementation of the seven safeguard measures, namely, "internal control and risk management, financial management, centralized procurement, quality management, logistics management, engineering management and lean management and management improvement".

The Group will consolidate its advantage in trading, strictly control the operation risk, bring the potential of the network into full play, foster core product, enhance the proportion of products based on distribution and technology marketing and realize transformation in marketing strategy; improve basic management, constantly reduce cost and improve efficiency, carry out technological innovation, strengthen the competitiveness of various business segments in the industry; speed up the development of existing resources, seize the opportunity of the downturn in the industry and acquire other enterprises at an appropriate time; develop and foster core products to support the marketing transformation and industrial development by building a science and technology system and introducing new technologies; promote projects integrating production and marketing and get through various processes of integrated operation so as to form a highly efficient operation system and improve the professional management level through information technology enhancement; do a good job in the talent introduction and fostering centering on "the project of young leaders in agricultural inputs marketing", capacity enhancement of professional talents centering on the building of professional sequence and the human resource integration building centering on standardized management; and improve the construction of HSE system and promote the transition of HSE comprehensive management from a "dependent" one to an "independent" one.

Last but not the least, on behalf of the Board, I would like to take this opportunity to extend our appreciations to the shareholders, customers, the management and employees of the Group. We hope to have your continuous concern and support in the future, and expect the management and employees to stay focused, work even harder and continue to make contributions to the development of the Group!

Liu De Shu
Chairman of the Board

Hong Kong, 27 March, 2014

MANAGEMENT REVIEW AND PROSPECT

Business Environment

In 2013, the economic situation was rather complex and severe both at home and abroad. The global economy saw a slow recovery and the growth of emerging economies continued to slow down. Although the economic growth rate in China started to take a turn from constant decline, its recovery in reality was slow. The Chinese government continued with the regulation policy of making progress while ensuring stability, sped up the reform, actively adjusted the industrial structure and promoted the sustainable and sound development of the national economy.

In 2013, the yield of corn and wheat around the world reached a new historic high, global grain inventory remained at high levels and the international grain price fell sharply. There was basically sufficient grain supply on the domestic market with China's grain production increasing for the 10^{th} time in a row and more and more grain import. The Chinese government attached high importance to grain safety and the development of modern agriculture. The No.1 Central Document in 2013 continually focused on agriculture for the 10^{th} time in succession, specified that agricultural production and operation mechanism should be innovated and agricultural modernization quickened. The third plenum of the CPC's 18^{th} Central Committee highlighted that scaled production and modernized management for agriculture should be realized, key grain supply guaranteed and sustainable agriculture developed. The high importance the Chinese government attached to the development of agriculture brought new opportunities for the fertilizer industry.

In 2013, the competition in the fertilizer industry was even fiercer. The Chinese fertilizer industry continued to be sluggish, newly-added production capacity was released almost at the same time, the oversupply intensified, the oversupply contradiction was even more prominent except for potash, the growth of demand slowed down and the price continued to decline. With continuous price increase of transportation as well as strengthened requirements from safety and environmental protection, enterprises were faced with bigger operation pressure.

Confronted with the severe market environment, the Group aimed at enhancing its core competitiveness, focused on the implementation of seven strategies and realized sustainable development of the Group under the leadership of the Board.

Financial Highlights

For the year ended 31 December 2013, the Group's turnover amounted to RMB34,722 million, decreased by 15.70% year on year; and loss for the year attributable to shareholders of the Company amounted to RMB476 million. The reasons behind the losses are that: (1) the constant price decrease of various products and continuous increase of logistic costs led to an operational loss of RMB125 million for the year; and (2) the tax losses in the previous year could not be fully utilized before expiry and corresponding deferred tax asset had been reversed during the year, which led to a loss of RMB351 million.

Resource Guarantee

In the year 2013, Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong"), a subsidiary of the Group, brought into full play its advantage of 300 million tons of high-quality phosphate resources and continued to make more efforts in phosphate mine development. The exploration of Mozushao phosphate mine fully completed the planned task and Sinochem Yunlong realized 620,000 tons of phosphate rock in 2013. In terms of mine construction, the Group kicked off the deep exploration in Dawan and increased the reserve volume of phosphate resource within the current areas with mining right; the construction of the Dawan mine and the preliminary work for the deep exploration of Mozushao mine were steadily progressed, and the value contribution of phosphate resources was constantly enhanced, which laid a solid foundation for the Group to get through the industrial chain of phosphate and phosphoric chemicals.

In the recession period of the industry, the Group deeply carried out the "resource acquisition strategy with a global perspective", continued to focus on merger and acquisition opportunities for high-quality upstream resources such as coal, natural gas, phosphate and potash both at home and abroad, built a team of professional talents and was engaged with over 80 resource projects. Currently, a number of high-quality projects are carried out in an orderly way.

Production and Manufacturing

In 2013, annual fertilizer production capacity of the Group's subsidiaries, associates and joint ventures exceeded 12 million tons. At the same time, production enterprises continued to push forward advanced manufacturing and through lean management, technological renovation and science and technology innovation, both production and supply capacity were further improved.

Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd. ("Sinochem Fuling"), a subsidiary of the Group, produced 1.4 million tons phosphate and compound fertilizers and other products during the year. Faced with a downturn of the industry, Sinochem Fuling maintained low-cost manufacturing, continued with its efforts in scientific and technological innovation and constantly strengthened HSE management and energy saving and emission reduction.

Sinochem Jilin Changshan Chemical Co., Ltd. ("Sinochem Changshan"), a subsidiary of the Group, produced 320,000 tons urea in 2013. Sinochem Changshan continued to carry out advanced manufacturing, strengthened cost saving and consumption reduction as well as management improvement, and the consumption of coal and power for urea constantly decreased; Sinochem Changshan was recognized as a provincial enterprise technology centre, successfully launched 6 new products including urea containing potassium and zinc, synchronized long-lasting slow-release fertilizer, peanut-specific fertilizer, etc.; the urea renovation and expansion project in Sinochem Changshan was carried out as planned and 34% was completed so far with an acceptance rate of 100%. After the project is put in place, the annual production capacity of synthetic ammonia and urea in Sinochem Changshan will be increased to 360,000 tons and 600,000 tons respectively.

Sinochem Yunlong, a subsidiary of the Group, produced 250,000 tons of feed-grade calcium. Based on the price trend on the raw material market, Sinochem Yunlong flexibly adjusted its procurement strategy and effectively reduced the procurement cost; the product quality in Sinochem Yunlong reached the international advanced level and gained the quality system certification of both ISO and FAMI-QS (European Code of Practice for Feed Additive and Premixture Operators).

Marketing Strategies

The Group resolutely carried out the established operation strategies, continuously intensified the construction of marketing service ability and the development of local customers. During the year, sales volume achieved 16.28 million tons, which further consolidated the Group's status as the biggest fertilizer distributor in China.

Potash Operations: Sales volume of potash fertilizer amounted to 3 million tons in 2013. The Group maintained its leading status in domestic potash market by seizing the customers' demand and maintaining good cooperation with core customers in China. The Group actively carried out innovation in marketing channels of potash for direct application with pilot programs in Guangdong, Guangxi, Hunan and Hubei, focused on channel marketing of potash for direct application and realized contrarian growth in the sales of potash for direct application; the Group continued to consolidate cooperation with international core suppliers, ensured that China's potash import price was preferable enough to build a good foundation for the potash business operation in 2014.

Nitrogen Operations: In 2013, the overall scale of the nitrogen operations was stable and the Group was among the top enterprises in terms of market share of nitrogen in China with a sales volume of 7.26 million tons. The Group continued to step up cooperation with core suppliers, concluded annual strategic cooperation agreement with core suppliers and consolidated the foundation for cooperation; the operation of new nitrogen products expanded rapidly, marketing and promotion of new products such as UAN and alginates was further carried out with a sales volume of 310,000 tons and bigger contribution to the profit.

Phosphate Operations: Sales volume of phosphate fertilizer amounted to 3.37 million tons for the year 2013. In terms of procurement, the Group strengthened the building of the core supplier system, developed 2 supply bases for DAP which provided support with low-price and high-quality sources, and ensured stable supply from Sichuan Lomon Group and Sinochem Fuling for MAP. In terms of sales, the Group promoted the building of the core customer system in DAP with a strategy of "one brand for each customer in each county" and strengthened raw material supply from subsidiaries for MAP with higher proportion of direct supply and direct sales.

Compound Fertilizer Operations: Sales volume of compound fertilizers amounted to 1.99 million tons in 2013. The Group deeply promoted the integration and marketing transformation of compound fertilizers, strengthened the coordination of production and sales among the Group's affiliated production enterprises, business departments of the trading companies and distribution networks, further promoted the integration of channels between production enterprises and branches in five provinces in northern China, reduced channel conflicts and improved operation efficiency; continued to promote the building of marketing capabilities of trading companies, strengthened the fostering of core dealers, built a network of end core outlets and enhanced the marketing and service capabilities of compound fertilizers; and constantly optimized the product structure of compound fertilizers and sales volume of differentiated products such as chelated fertilizer was notably increased.

Monocalcium (MCP)/Monodicalcium phosphate (MDCP) operations: Sales volume of MCP/MDCP in 2013 amounted to 220,000 tons. In terms of production, the utilization rate of low-grade phosphate rock was enhanced, the per capita consumption of sulphuric acid products reduced, successfully passed the external supervision and review of the FAMI-QS and ISO9001 quality systems. Sinochem Yunlong adopted various logistics and transportation models and effectively reduced the transportation cost. In terms of market exploitation, while consolidating the existing overseas market, the Group strengthened the domestic sales team building, focused on large domestic feed enterprise customers and met the demand of domestic customers quite well.

In 2013, the Group continued to optimize the existing distribution network and consolidated the customer base so as to optimize the product structure, strengthen the service providing capacity for customers and improve the profitability of the distribution network. 240 distribution centres were optimized over the year and the number of the distribution centres was maintained at over 2,000; the number of customers amounted to around 19,000 in 2013. In 2013, the Group focused on the branches' marketing transformation, carried out pilot projects in five provinces in northern China (including Shandong branch, Henan branch, Hebei branch, Jiangsu branch and Anhui branch) for the marketing transformation of compound fertilizers and also launched pilot projects in four provinces in southern China (including Hubei branch, Hunan branch, Guangxi branch and Guangdong branch) for the marketing transformation of agricultural potash channels. The Group centred on compound fertilizers and potash for agriculture, strengthened the professional team building in branches, improved the marketing and promotion capacities of the business personnel and built a professional marketing team that know well about both technology and marketing. Besides, the Group continued to explore new business models. For example, the Hainan branch cooperated with Hainan Science and Technology Department in the innovation and promotion of the micronutrient fertilizer application technology.

Internal Control and Management

The Group actively promoted the system building of internal control and risk management. Besides the special committees of the Board, the Group also set up seven special management committees including risk and internal control management committee, and vigorously promoted the "risk management oriented, internal control centred" internal control and risk management system within the scope authorized by the Board.

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 (hereinafter referred to as "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 and commissions of China's central government. The Group conducted annual assessment on comprehensive risk management, with full participation from the headquarters, distribution network, subsidiaries and overseas institutions, and reviewed the internal control factors and key risks and control points. The Group's internal control and risk management system provided effective support to cope with the changing domestic and international environment, served the Group's strategic transformation, ensured shareholders' interests, assets safety and strategic implementation, and also met the compliance requirements from the overseas regulatory organizations.

Corporate Social Responsibility

The Group actively brought into play its influence and leading status in the industry, consolidated its leading position in the market and endeavored to become a resource-saving and environmental-friendly model enterprise with advanced technology in the industry and also an important pillar supporting the national agricultural safety.

The Group actively devoted itself to the building of a socialized service system for agriculture, fulfilled its social responsibilities and promoted the development of modern agriculture in China at full stretch. In 2013, the Group continued to cooperate with the Ministry of Agriculture to carry out the building of field school for farmers and built 46 field schools for farmers across China, which benefited tens of thousands of farmer households. At the same time, based on the scientific and technological program of "Double-growth 200" for corn in Northeast China, the Group cooperated with the Ministry of Agriculture as well as the provincial agricultural committees to carry out the "Sinochem Cup King Corn Challenge Competition" which covered a corn planting area of 35 million mu, provided training to agricultural technological personnel in over 450 villages, 42 demonstration townships and 28 demonstration counties, carried out guidance service activities for more than 5,000 times, produced over 200 technology promotion films and carried out over 1,000 promotional activities through professional media. At the same time, 50,000 copies of "Booklets for Corn Planting in Northern Areas of China" and 200,000 corn high-yield technology posters were published, and over 50,000 coupons were given out, which was fully recognized and highly appreciated by the farmers.

By 2013, the Group set up over 5,000 science and technology demonstration villages across China, invited grass-root agronomic experts to work in the demonstration villages, carried out seminars on fertilization technologies, on-site guidance and promotional activities at the country fairs throughout the year, improved the farmers' level in scientific fertilization, scientific use of pesticides and cultivation management and solved a lot of practical problems facing the farmers. In 2013, the Group carried out over 6,000 service activities, tested more than 50,000 soil samples for farmers for free and provided direct and indirect service to over 1 million farmer households. At the same time, the Group actively explored the integrated solution method for crops, built over 1,000 demonstration fields and had an influence on over 1.1 million farmer households.

In order to further promote the dissemination of soil testing and scientific fertilization technologies and the activities to benefit farmers with science and technology, the Group actively participated in the "program of soil testing and fertilization in a whole through the cooperation between farmers and enterprises" initiated by the Ministry of Agriculture, enlarged the promotion and application scale of formula fertilizer, built demonstration counties for the promotion of formula fertilization in a whole area across China and covered over 16,000 mu land.

In the future, the Group will continue to focus on the development of modern agriculture and the scientific and technological demand of farmers, deepen the cooperation with the Chinese government, scientific institutions and colleges and universities, centred on key projects such as soil testing and fertilization, combination of agricultural machinery and agronomy, integration of water and fertilizer and integrated solution method for crops, integrate the internal and external resources, constantly make innovations in terms of service measures and continue to provide high-quality, professional and high-efficiency comprehensive service for Chinese farmers.

The Group continued to strengthen HSE management, combined it with production operation and the enterprise's sustainable development, built a professional HSE team, strengthened the building and training of HSE system in the headquarters and relevant key enterprises, constantly promoted corrective actions for potential safety hazard. Progress was achieved in the environmental protection and emission reduction effort and the four obligatory indicators were all reduced. In particular, the emission of SO_2 was down by 4.6%, COD by 14.8%, NH_3-N by 15.5% and NOx by 4.1%.

Outlook

In 2014, the world economy starts to recover, the growth of the Chinese economy slows down and the reform roadmap for the next 5-10 years is basically clear. The Chinese government will continue to promote economic restructuring, seek progress while ensuring stability, deepen reform so as to realize the continued and sound development of the economy as well as the harmony and stability of the society.

The 18th Central Committee of the CPC put forward the following targets: to guarantee key grain supply and to ensure national grain safety; to improve contracted land management rights, to accelerate the construction of new agricultural management system, to promote large-scale agricultural production and management modernization; and to develop sustainable agriculture as well as to reduce environmental pollution and ecological damage. The No.1 Document in 2014 continues to focus on agriculture for the 11th time in a row and highlights that "rural reform should be deepened in all aspects and agricultural modernization be promoted". The Document identified grain safety as a national strategy for the first time, required that grain (corn, etc.) should be basically self-sufficient and rations (wheat and rice) be definitely safe; highlights that a long-term mechanism for sustainable development of agriculture should be set up, the utilization of high-efficiency fertilizers, organic fertilizers and low-residue pesticides be increased; the rural land reform be further promoted, flexibility on land operation right should be allowed, which will be conducive to the further intensification and scale production of the land; meanwhile, agricultural target price system should be introduced, and market-oriented agricultural price be realized, which will help further enhance the enthusiasm of the farmers. The constant attention and input of the Chinese government to the development of agriculture lays a solid foundation for the continuous development of the fertilizer industry. With the implementation of various follow-up policies to benefit the farmers, domestic fertilizer market will further gain stable and long term growth momentum.

In recent years, with new production capacity increasing dramatically, the domestic fertilizer market has suffered more apparently from excessive oversupply, and the trend of industrial reconstruction and integration became more intensive in both production and distribution sectors. As a leading enterprise in China's fertilizer industry, the Group will centre on the seven strategies, namely, marketing, resources, industry, science and technology, human resources, information technology and HSE, further promote the integration of mine and fertilizer, the integration of fertilizer and chemicals, the integration of production and marketing and the integration of product and service, in order to build a sustainable commercial model and operation model, strive to become a global leading provider of agricultural inputs and agrochemical services, realize sustainable development of the Group, create value for shareholders of the Company, and make a significant contribution to national food security and industrial development.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the twelve months ended 31 December 2013, sales volume of the Group was 16.28 million tons, and turnover amounted to RMB34,722 million, decreased by 5.02% and 15.70% respectively, over the corresponding period of 2012.

For the twelve months ended 31 December 2013, gross profit of the Group amounted to RMB1,279 million, decreased by RMB1,098 million over the corresponding period of 2012. The loss for the year attributable to owners of the Company amounted to RMB476 million. The reasons behind the losses are that: (1) the constant price decrease of various products and continuous increase of logistic costs led to an operational loss of RMB125 million for the year; and (2) the tax losses in the previous year could not be fully utilized before expiry and corresponding deferred tax asset had been reversed during the year, which led to a loss of RMB351 million.

I. Operation Scale

1. Sales Volume

For the twelve months ended 31 December 2013, sales volume of the Group was 16.28 million tons, decreased by 5.02% over the corresponding period of 2012. In 2013, the fertilizer market continued to be weak and was still oversupplied, which resulted in the decline of sales volume of major fertilizers of the Group compared to 2012 with sales volume of imported fertilizers down by 9.63% year on year to 3.30 million tons and domestic fertilizers down by 4.07% year on year to 12.33 million tons.

In terms of product mix, sales volume of potash, nitrogen, compound fertilizer and phosphate of the Group declined by 5.58%, 4.87%, 8.75% and 5.48% respectively year on year due to the weak fertilizer market. Under the severe market conditions, the Group still maintained a relatively high market share through strengthening strategic partnership with core domestic and overseas suppliers and continuing to secure the supply of competitive products steadily.

2. Turnover

For the twelve months ended 31 December 2013, turnover of the Group amounted to RMB34,722 million, decreased by RMB6,468 million or 15.70% over the corresponding period of 2012. The fall range of turnover was higher than that of sales volume (5.02%), which was mainly attributable to the fact that the Group's average selling price decreased by 11.25% year on year due to the falling prices of fertilizers in 2013.

Table 1:

	For the twelve months ended 31 December			
	2013		2012	
	Turnover ***RMB'000***	**As percentage of total turnover**	Turnover *RMB'000*	As percentage of total turnover
Potash fertilizers	**7,464,758**	**21.50%**	9,732,212	23.63%
Nitrogen fertilizers	**12,474,903**	**35.93%**	14,148,804	34.35%
Compound fertilizers	**5,450,853**	**15.70%**	6,187,857	15.02%
Phosphate fertilizers	**7,936,128**	**22.86%**	9,383,220	22.78%
MCP/MDCP	**626,862**	**1.80%**	542,238	1.32%
Others	**768,345**	**2.21%**	1,195,806	2.90%
Total	**34,721,849**	**100.00%**	41,190,137	100.00%

3. Turnover and Result by Segment

The operating segments of the Group are divided into Marketing Segment (procurement and distribution of fertilizers and related products) and Production Segment (production and sales of fertilizers).

The following is an analysis of the Group's turnover and profit by operating segment for the twelve months ended 31 December 2013 and the corresponding period of 2012:

Table 2:

2013

	Marketing *RMB'000*	**Production** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
Turnover				
External sales	**31,080,307**	**3,641,542**	**–**	**34,721,849**
Inter-segment sales	**491,552**	**1,702,701**	**(2,194,253)**	**–**
Total	**31,571,859**	**5,344,243**	**(2,194,253)**	**34,721,849**
Segment gross profit	**852,144**	**427,352**	**–**	**1,279,496**
Segment profit/(loss)	**61,798**	**(252,306)**	**–**	**(190,508)**

2012

	Marketing *RMB'000*	Production *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Turnover				
External sales	34,855,772	6,334,365	–	41,190,137
Inter-segment sales	372,475	2,111,168	(2,483,643)	–
Total	35,228,247	8,445,533	(2,483,643)	41,190,137
Segment gross profit	1,397,061	980,741	–	2,377,802
Segment profit	531,148	438,802	–	969,950

Segment profit/(loss) represents the profit/(loss) earned by each segment without deducting unallocated expenses and income, share of results of associates, joint ventures and finance costs. Information reported to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment.

For the twelve months ended 31 December 2013, the external sales turnover decreased by RMB6,468 million over the corresponding period of 2012, after the introduction of a strategic investor in October 2012, Yangmei Pingyuan Chemical Co., Ltd (former known as "Sinochem Pingyuan Chemical Co., Ltd", hereafter known as "Sinochem Pingyuan"), a former subsidiary of the Company, became an associate of the Company, and if excluding the effects Yangmei Pingyuan contributed to external sales in 2012, the external sales turnover decreased by RMB5,007 million year on year, and that of production segment decreased by RMB1,231 million year on year, which was attributable to that the prices of products and sales volume dropped due to oversupply in overseas and domestic markets.

For the twelve months ended 31 December 2013, the segment loss of the Group was RMB191 million. Among which, Marketing Segment successfully realized a profit of RMB62 million through accelerating the inventory turnover in the descending market conditions, decreased by RMB469 million over the corresponding period of 2012; moreover, the relationship of demand and supply changed with the worsening oversupply situation of the fertilizer industry in 2013, which led to the loss of Production Segment.

II. Profit

1. Gross profit

For the twelve months ended 31 December 2013, gross profit of the Group amounted to RMB1,279 million, decreased by RMB1,098 million over the corresponding period of 2012.

The Group adopted different strategies for different products. In terms of potash, profit contribution was relatively stable through deepening the channel marketing of agricultural potash and enhancing the loyalty of customers, but the gross profit decreased by 54% year on year, mainly due to the price drop of raw material potash; in terms of nitrogen and phosphate, gross profit of each product decreased at different degrees year on year due to the drop of market prices, in particular, the gross profit of nitrogen dropped by 63% (51% if excluding the effects Yangmei Pingyuan contributed to the gross margin of nitrogen in 2012 since Yangmei Pingyuan, a former subsidiary of the Group, became an associate of the Group after the introduction of a strategic investor into Yangmei Pingyuan by the Group in October 2012), and that of phosphate fell by 62% year on year due to the severe oversupply with concentrated release of production capacity of phosphorous chemicals industry in 2013. The Group improved the brand influence and customer loyalty through strengthening supplier management, integrating production and sales and optimizing channels, etc.; in terms of compound fertilizer, marketing capabilities and brand competitiveness improved significantly and gross profit kept relatively stable through deepening the transformation of marketing, and adopting the business model with the integration of research, production, supply and sales.

In summary, the weak fertilizer market resulted in the decline of the overall profit in 2013, but the profitability of distribution and marketing business was steadily improved.

2. Share of results of joint ventures and associates

Share of results of joint ventures: For the twelve months ended 31 December 2013, the share of results of joint ventures of the Group amounted to a loss of RMB15 million, decreased by RMB83 million year on year from a profit of RMB68 million in 2012. This was mainly attributable to that the oversupply and price drop of phosphorous chemicals industry led to the decline of results of the Group's affiliated enterprises in phosphate, among which the share of results of joint ventures from Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. ("Three Circles-Sinochem") was a loss of RMB23 million, decreased by RMB70 million year on year; and the share of results of joint ventures from Wengfu Chemicals Co., Ltd. was a profit of RMB2 million, decreased by RMB13 million year on year.

Share of results of associates: For the year ended 31 December 2013, the share of results of associates of the Group amounted to RMB106 million, decreased by RMB130 million over the corresponding period of 2012. This was mainly attributable to the significant profit decline from Qinghai Salt Lake Co., Ltd. ("Qinghai Salt Lake"), one of the Group's associates. With the declining of selling price of potash, the profit of potash business of Qinghai Salt Lake decreased to some extent year on year.

3. Income tax expenses

For the twelve months ended 31 December 2013, income tax expense of the Group was RMB343 million, increased by RMB245 million over the corresponding period of 2012. This was mainly attributable to that the subsidiary of the Group, Sinochem Fertilizer Co., Ltd. ("Sinochem Fertilizer"), recorded the corresponding deferred tax assets in 2009 and 2010 according to the tax losses for the period, and due to the change of market conditions, it is expected that there might not be sufficient taxable profit available in the future to offset the tax losses before its expiration date, thus writing down the deferred tax assets with the amount of RMB351 million and correspondingly increasing the income tax expenses for 2013.

The subsidiaries of the Group were mainly registered in PRC mainland, Macao and Hong Kong, respectively, where profit tax rates vary. Among them, the tax rate of PRC 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. Net loss attributable to owners of the Company

For the twelve months ended 31 December 2013, net loss attributable to owners of the Company was RMB476 million. This was mainly attributed to: (1) the losses of the Company with the amount of RMB125 million due to the price drop of all fertilizers as well as the increasing logistics costs in the weak fertilizer market in 2013; (2) the increase of net loss attributable to owners of the Company with the amount of RMB351 million due to the reverse of deferred tax assets.

For the twelve months ended 31 December 2013, the net loss margin was 1.37%, which is calculated based on loss attributable to owners of the Company divided by turnover.

III. Expenditures

For the twelve months ended 31 December 2013, three expenses amounted to RMB1,729 million, decreased by RMB72 million or 4.01% from RMB1,801 million over the corresponding period of 2012.

Selling and distribution expenses: For the twelve months ended 31 December 2013, selling and distribution expenses amounted to RMB854 million, increased by RMB50 million or 6.24% from RMB804 million over the corresponding period of 2012. The increase was mainly attributable to the fact that the logistics expenses of the Group increased by RMB88 million year on year with domestic rising logistics costs in 2013. Other expenses kept declining under the operational guideline of "reducing cost and improving efficiency", with a decrease of RMB38 million year on year.

Administrative expenses: For the twelve months ended 31 December 2013, administrative expenses amounted to RMB633 million, which basically remained stable compared to RMB630 million for the year ended 31 December 2012.

Finance costs: For the twelve months ended 31 December 2013, finance costs amounted to RMB241 million, decreased by RMB126 million or 34.29% from RMB367 million over the corresponding period of 2012. This was mainly because: (1) due to the reduction of overall borrowings of the Group in 2013, the interest expense was reduced by RMB59 million compared to that in 2012; and (2) comprehensive interest rate decreased to 3.7% from the previous 4.5%, which led to the decline of interest expense of RMB67 million year on year.

IV. Other Income and Gains

For the twelve months ended 31 December 2013, the Group's other income and gains amounted to RMB244 million, increased by RMB54 million or 28.73% from RMB190 million over the corresponding period of 2012. This was mainly attributable to: (1) the increasing interest income of RMB37 million year on year from the Group's borrowings to Yangmei Pingyuan, one of the associates of the Group; and (2) the investment income of RMB15 million from the disposal of investment properties in 2013 by Sinochem Fertilizer, one of the subsidiaries of the Group.

V. Other Expenses and Losses

For the twelve months ended 31 December 2013, the Group's other expenses and losses amounted to RMB167 million, increased by RMB26 million or 18.67% from RMB141 million over the corresponding period of 2012, which was mainly attributable to the increase of RMB37 million of provision for bad debts year on year.

VI. Gains on Deemed Disposal of Interest in a Subsidiary

For the twelve months ended 31 December 2012, gains in the deemed disposal of a subsidiary of the Group was RMB92 million. This was attributable to the fact that a strategic investor – Yangmei Chemical was introduced into Yangmei Pingyuan (formerly known as "Sinochem Pingyuan"), a former subsidiary of the Group, through capital injection, in order to secure the latter company's raw material supply. After the capital injection, the Group reduced its equity interest in Yangmei Pingyuan from 75% to 36.75% and recognized a gain in the deemed disposal.

VII. Inventory

The inventory balance of the Group as at 31 December 2013 amounted to RMB4,393 million, decreased by RMB983 million or 18.28% from RMB5,376 million as at 31 December 2012. This was mainly attributable to the fact that the Group strictly controlled the inventory scale to mitigate inventory risks since the price of all fertilizers dropped continuously in 2013, and inventory turnover days[(Note)] decreased from 60 days in 2012 to 53 days in 2013 as the Group adhered to operation strategy of "quick-buy-and-quick-sell".

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.

VIII. Trade and Bills Receivables

The balance of the Group's trade and bills receivables as at 31 December 2013 amounted to RMB1,250 million, increased by RMB91 million or 7.90% from RMB1,159 million as at 31 December 2012. Due to the impact of the external economic environment, the Group granted credit to customers with good reputation in order to increase sales and therefore more bills receivables were accepted compared to 2012.

Influenced by the decrease of turnover and the balance of trade and bills receivables year on year, trade and bills receivables turnover day*(Note)* was 12 days in 2013, the same as that in 2012.

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)

IX. Interests in Joint Ventures

As at 31 December 2013, the balance of the Group's interests in joint ventures amounted to RMB549 million, decreased by RMB37 million or 6.33% from RMB586 million as at 31 December 2012. This was mainly attributable to the declining results of joint ventures of the Group that focused on the production and sales of phosphate because of the worsening market conditions for the whole phosphorous chemical industry in 2013. Three Circles-Sinochem suffered losses in 2013, which led to the decreasing interests of RMB23 million in joint ventures under equity accounting method, and meanwhile, the Group received the dividends of Yunnan Three Circles-Sinochem-Mosaic Fertilizers Co., Ltd. for the year 2012, which led to the decreasing interests of RMB16 million in joint ventures under equity accounting method.

X. Interests in Associates

The balance of the Group's interests in associates as at 31 December 2013 amounted to RMB8,236 million, increased by RMB58 million or 0.71% from RMB8,178 million as at 31 December 2012, including:

1. Share of results of associates for the year 2013 amounted to RMB106 million, which increased interests in associates;

2. The Group received the dividend of RMB46 million from Qinghai Salt Lake, an associate of the Group, in 2013, which decreased interests in associates.

XI. Available-for-sale Investments

As at 31 December 2013, the balance of the Group's available-for-sale investments amounted to RMB373 million, basically flat over that of RMB372 million as at 31 December 2012.

XII. Interest-bearing borrowings

As at 31 December 2013, the Group's liabilities with interests amounted to RMB3,911 million, decreased by RMB552 million from RMB4,463 million as at 31 December 2012.

(1) Borrowings

As at 31 December 2013, the balance of the Group's borrowings amounted to RMB2,911 million, decreased by RMB1,552 million or 34.76% from RMB4,463 million as at 31 December 2012. This was mainly attributable to that the Group repaid part of the external borrowings and cut down the scale of borrowings in 2013.

(2) Short-Term Commercial Paper

The Group issued a one-year short-term commercial paper with the amount of RMB1 billion with an annual interest rate of 4.08% on 25 April 2013.

XIII. Trade and Bills Payables

As at 31 December 2013, the balance of the Group's trade and bills payables amounted to RMB2,619 million, decreased by RMB946 million or 26.54% from RMB3,565 million as at 31 December 2012. This was mainly attributable to the fact that the Group, under the continuously weak fertilizer market, downsized the inventory scale and decreased the procurement to mitigate the inventory risk which resulted in the decrease of bills and accounts payable correspondingly.

XIV. Other Financial Indicators

Basic losses per share for the twelve months ended 31 December 2013 amounted to RMB0.0678. Return on equity (ROE) for the twelve months ended 31 December 2013 was -3.64%, which was mainly attributable to losses of the Group affected by the fertilizer market conditions.

Table 3:

	2013	2012
Profitability		
(Losses)/earnings per share (RMB) *(Note 1)*	**(0.0678)**	0.1250
ROE *(Note 2)*	**(3.64%)**	6.36%

Note 1: Calculated based on (loss)/profit attributable to equity shareholders of the Company for the reporting period divided by weighted average number of shares for the reporting period.

Note 2: Calculated based on (loss)/profit attributable to equity 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 2013, the Group's current ratio was 1.17, and the debt-to-equity ratio was 29.43%. The Group achieved a more stable financial structure through actively undertaking various operating measures under the weak fertilizer market.

Table 4:

	2013	2012
Liquidity and Capital adequacy		
Current ratio *(Note 1)*	**1.17**	1.26
Debt-to-Equity ratio *(Note 2)*	**29.43%**	31.10%

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

Note 2: Calculated based on 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 bonds. All the financial resources were primarily used for the Group's trading and distribution, production, repayment of liabilities and for related capital expenditures.

As at 31 December 2013, cash and cash equivalents of the Group amounted to RMB364 million, which was mainly denominated in RMB and US dollar.

Below is the analysis of interest-bearing borrowings of the Group:

Table 5:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Bank borrowings, secured	**–**	69,998
Bank borrowings, unsecured	**425,335**	1,909,026
Short-term commercial paper	**1,000,000**	–
Bonds		
Principal amount	**2,500,000**	2,500,000
Less: amortized transaction costs	**(13,865)**	(16,215)
Total	**3,911,470**	4,462,809

Table 6:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Carrying amount repayable		
Within one year	**1,425,335**	1,577,724
More than one year, but within five years	**–**	401,300
More than five years	**2,486,135**	2,483,785
Total	**3,911,470**	4,462,809

Table 7:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Fixed-rate borrowings	**3,811,470**	3,358,032
Variable-rate borrowings	**100,000**	1,104,777
Total	**3,911,470**	4,462,809

As at 31 December 2013, the Group had banking facilities equal to RMB29,051 million, including US$2,005 million and RMB16,670 million, respectively. The amount of utilized banking facilities amounted to US$93 million and RMB459 million, and unutilized banking facilities amounted to US$1,912 million and RMB16,211 million, respectively.

The Group planned to repay the above loan liability with internal resource.

XVI. Operation and Financial Risks

The Group's major operation risks include: the recovery of the world economy was still faced with great uncertainty; the fertilizer price was quite volatile in the domestic market due to oversupply; and competition in the circulation sector would get increasingly intense as market-oriented reforms in the fertilizer industry deepened and the industrial structure was adjusted.

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

Majority of the Group's assets, liabilities and transactions are denominated in RMB, US dollar and Hong Kong dollar. Since the amount of the Group's foreign currency assets and liabilities are immaterial, the fluctuations of exchange rates did not have a significant impact on the performance of the Group. In addition, the management continued to monitor and control the above risks so as to mitigate potential negative impact on the Group's financial performance.

Credit risk

The biggest credit risk of the Group was subject to that the counterparties might fail to carry out their obligations with regard to the book value of all types of financial assets confirmed and recorded in the comprehensive financial statement by counterparties on 31 December 2013. The Group has adequate monitoring procedures in respect of granting credit, credit approval and other related aspects so as to ensure the timely follow-up of overdue debt to mitigate the credit risk.

Liquidity risk

The Management is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands, as well as mitigating the liquidity risks. The Management continuously monitors the usage of borrowings and complies with bank loan terms and conditions.

XVII. Contingent Liabilities

As at 31 December 2013, the Group had no contingent liabilities.

XVIII. Capital Commitment

Table 8:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Capital expenditure in respect of property, plant and equipment		
Contracted but not provided for	**373,729**	150,996
Authorized but not contracted for	**1,156,236**	1,801,626
Total	**1,529,965**	1,952,622

The Group plans to finance the above capital expenditure by internal resources, and has no plans for other material investment or capital expenditures.

XIX. Material Investments

For the twelve months ended 31 December 2013, the Group had no material investments.

XX. Material Disposal

For the twelve months ended 31 December 2013, the Group had no material disposal.

XXI. Human Resources

The key components of the Group's remuneration package include basic salary, and where applicable, 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 to achieve 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 the importance of duties. The higher the importance of duties, the higher the ratio of incentive bonus to total remuneration. This can help the Group to recruit, retain and motivate high-calibre 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 2013, the Group had about 7,961 full-time employees (including those employed by the Group's subsidiaries), 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 value the importance of training and career development of employees. In 2013, the Group provided 13,266 hours of training in aggregate for about 2,296 person-times (any training organized by the subsidiaries have not been included in these numbers). The training courses covered areas such as industry development, leadership enhancement, marketing management, operation and management, laws and regulations, lean management, project management, finance, logistics, human resource management, information technology, safe production and general working skills. These training will 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 and 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 2013, together with the comparative figures for prior year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2013 RMB'000	2012 RMB'000
Turnover	3(a)	**34,721,849**	41,190,137
Cost of sales		**(33,442,353)**	(38,812,335)
Gross profit		**1,279,496**	2,377,802
Other income and gains	4	**244,359**	189,819
Selling and distribution expenses		**(854,307)**	(804,163)
Administrative expenses		**(633,311)**	(629,873)
Other expenses and losses		**(167,367)**	(141,025)
Share of results of associates		**105,917**	235,920
Share of results of joint ventures		**(15,195)**	68,437
Finance costs	5	**(240,974)**	(366,726)
Gain on deemed disposal of interest in a subsidiary		**–**	92,174
(Loss)/Profit before taxation	6	**(281,382)**	1,022,365
Income tax expense	7	**(343,424)**	(98,711)
(Loss)/Profit for the year		**(624,806)**	923,654
(Loss)/Profit for the year attributable to:			
– Owners of the Company		**(476,340)**	878,369
– Non-controlling interests		**(148,466)**	45,285
		(624,806)	923,654

	Note	**2013** *RMB'000*	2012 *RMB'000*
(Loss)/Profit for the year		**(624,806)**	923,654
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of financial statements of overseas subsidiaries		**(107,971)**	(6,530)
Changes in fair value of available-for-sale investments		**13,158**	3,286
Other comprehensive expense for the year, net of tax		**(94,813)**	(3,244)
Total comprehensive (expense)/income for the year		**(719,619)**	920,410
Total comprehensive (expense)/income attributable to			
– Owners of the Company		**(571,153)**	875,125
– Non-controlling interests		**(148,466)**	45,285
		(719,619)	920,410
(Losses)/Earnings per share			
Basic (RMB)	*9*	**(0.0678)**	0.1250
Diluted (RMB)	*9*	**(0.0678)**	0.1250

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Non-current assets			
Fixed assets			
– Property, plant and equipment		**3,312,182**	3,162,737
– Investment properties		**–**	14,600
		3,312,182	3,177,337
Prepaid lease payments		**507,169**	520,229
Mining rights		**707,169**	734,458
Goodwill		**811,356**	820,162
Other long-term assets		**10,450**	11,299
Interests in associates		**8,236,002**	8,177,561
Interests in joint ventures		**549,286**	586,429
Available-for-sale investments		**373,242**	372,051
Advance payments for acquisition of property, plant and equipment		**30,270**	23,725
Deferred tax assets		**337,172**	674,865
		14,874,298	15,098,116
Current assets			
Inventories	*10*	**4,393,037**	5,375,898
Trade and bills receivables	*11*	**1,250,244**	1,158,659
Other receivables and advance payments		**1,375,907**	2,274,986
Loans to an associate		**887,000**	1,297,284
Prepaid lease payments		**13,215**	11,977
Other deposits		**671,800**	858,200
Pledged bank deposits		**–**	2
Bank balances and cash		**363,782**	334,682
		8,954,985	11,311,688
Current liabilities			
Trade and bills payables	*12*	**2,618,789**	3,564,875
Other payables and receipt in advance		**3,570,273**	3,784,384
Interest-bearing borrowings			
– due within one year		**425,335**	1,577,724
Short-term commercial paper		**1,000,000**	–
Tax liabilities		**16,308**	24,839
		7,630,705	8,951,822
Net current assets		**1,324,280**	2,359,866
Total assets less current liabilities		**16,198,578**	17,457,982

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Non-current liabilities		
Interest-bearing borrowings		
– due after one year	**2,486,135**	2,885,085
Deferred income	**122,456**	140,391
Deferred tax liabilities	**259,082**	271,945
Other long-term liabilities	**37,928**	37,928
	2,905,601	3,335,349
NET ASSETS	**13,292,977**	14,122,633
CAPITAL AND RESERVES		
Issued equity	**8,267,384**	8,267,384
Reserves	**4,820,065**	5,534,383
Total equity attributable to owners of the Company	**13,087,449**	13,801,767
Non-controlling interests	**205,528**	320,866
TOTAL EQUITY	**13,292,977**	14,122,633

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements for the year ended 31 December 2013 comprise the Group and the Group's interest in associates and joint ventures.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and available-for-sale securities that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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 2012 except for the application of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 11, *Joint arrangements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- Annual improvements to HKFRSs 2009-2011 Cycle

Impacts of the adoption of other new or amended HKFRSs are discussed below:

Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new title "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

HKFRS 10, ***Consolidated financial statements***

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 11, ***Joint arrangements***

HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognized on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from joint controlled entities to joint ventures. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

HKFRS 12, ***Disclosure of interests in other entities***

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in forthcoming published annual report.

HKFRS 13, ***Fair value measurement***

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in forthcoming published annual report. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening statement of financial position. The amendments also remove the requirement to present related notes to the opening statement of financial position when such statement is presented.

3. TURNOVER AND SEGMENT REPORTING

(a) Turnover

Turnover represents the sales value of fertilizers and related products. The following is an analysis of the Group's revenue from its major fertilizer products:

	2013	2012
	RMB'000	*RMB'000*
Potash fertilizer	**7,464,758**	9,732,212
Nitrogen fertilizer	**12,474,903**	14,148,804
Compound fertilizer	**5,450,853**	6,187,857
Phosphate fertilizer	**7,936,128**	9,383,220
MCP/MDCP	**626,862**	542,238
Others	**768,345**	1,195,806
	34,721,849	41,190,137

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

(b) Segment reporting

The Group's operating segments based on information reported to the chief operating decision maker (the "CODM") for the purpose of resource allocation and performance assessment are as follows:

- Marketing: sourcing and distribution of fertilizers and related products

- Production: production and sales of fertilizers

(i) Segment results, assets and liabilities

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without taking into account of unallocated expenses/income, share of results of associates and joint ventures and finance costs. This is the measure reported to the Group's CODM for the purposes of resource allocation and performance assessment. In addition, the CODM also regularly review the segment information in relation to the share of results of associates and the share of results of joint ventures.

Inter-segment sales are charged at market prices between group entities.

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

- All assets are allocated to operating segments other than interests in associates, interests in joint ventures, available-for-sale investments, deferred tax assets and other unallocated assets; and

- All liabilities are allocated to operating segments other than deferred tax liabilities and other unallocated liabilities.

2013	Marketing *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue				
External revenue	**31,080,307**	**3,641,542**	**–**	**34,721,849**
Internal revenue	**491,552**	**1,702,701**	**(2,194,253)**	**–**
Segment revenue	**31,571,859**	**5,344,243**	**(2,194,253)**	**34,721,849**
Segment gross profit	**852,144**	**427,352**	**–**	**1,279,496**
Segment profit/(loss)	**61,798**	**(252,306)**	**–**	**(190,508)**
Share of results of associates	**1,468**	**104,449**	**–**	**105,917**
Share of results of joint ventures	**234**	**(15,429)**	**–**	**(15,195)**
Unallocated expenses				**(72,159)**
Unallocated income				**131,537**
Finance costs				**(240,974)**
Loss before taxation				**(281,382)**
Assets				
Segment assets	**6,141,681**	**6,695,368**	**–**	**12,837,049**
Interests in associates	**15,948**	**8,220,054**	**–**	**8,236,002**
Interests in joint ventures	**2,349**	**546,937**	**–**	**549,286**
Available-for-sale investments				**373,242**
Deferred tax assets				**337,172**
Other unallocated assets				**1,496,532**
Consolidated total assets				**23,829,283**
Liabilities				
Segment liabilities	**5,139,128**	**1,148,809**	**–**	**6,287,937**
Deferred tax liabilities				**259,082**
Other unallocated liabilities				**3,989,287**
Consolidated total liabilities				**10,536,306**

2012	Marketing *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue				
External revenue	34,855,772	6,334,365	–	41,190,137
Internal revenue	372,475	2,111,168	(2,483,643)	–
Segment revenue	35,228,247	8,445,533	(2,483,643)	41,190,137
Segment gross profit	1,397,061	980,741	–	2,377,802
Segment profit	531,148	438,802	–	969,950
Share of results of associates	103	235,817	–	235,920
Share of results of joint ventures	284	68,153	–	68,437
Unallocated expenses				(133,967)
Unallocated income				248,751
Finance costs				(366,726)
Profit before taxation				1,022,365
Assets				
Segment assets	7,314,073	7,597,626	–	14,911,699
Interests in associates	16,433	8,161,128	–	8,177,561
Interests in joint ventures	2,671	583,758	–	586,429
Available-for-sale investments				372,051
Deferred tax assets				674,865
Other unallocated assets				1,687,199
Consolidated total assets				26,409,804
Liabilities				
Segment liabilities	6,305,294	1,281,692	–	7,586,986
Deferred tax liabilities				271,945
Other unallocated liabilities				4,428,240
Consolidated total liabilities				12,287,171

(ii) Other Segment information

2013	**Marketing** *RMB'000*	**Production** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Amounts included in the measures of segment profit/(loss) and segment assets:				
Additions to non-current assets	**32,403**	**424,457**	**12**	**456,872**
Write-down of trade receivables	**–**	**(15,893)**	**–**	**(15,893)**
Write-down of other receivables	**–**	**(21,551)**	**–**	**(21,551)**
Depreciation and amortization	**(11,226)**	**(320,820)**	**(13)**	**(332,059)**
Release of prepaid lease payments	**(2,667)**	**(9,336)**	**–**	**(12,003)**
Write-down of inventories	**(71,359)**	**(22,318)**	**–**	**(93,677)**
Loss on disposal of property, plant and equipment	**(43)**	**(605)**	**–**	**(648)**
Gain on disposal of investment properties	**14,964**	**–**	**–**	**14,964**
Write-off of payables	**11,668**	**685**	**–**	**12,353**

2012	Marketing *RMB'000*	Production *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measures of segment profit and segment assets:				
Additions to non-current assets	16,975	1,780,568	23	1,797,566
Write-down of other receivables	–	(600)	–	(600)
Depreciation and amortization	(10,865)	(437,341)	(12)	(448,218)
Release of prepaid lease payments	(65)	(22,325)	–	(22,390)
Write-down of inventories	(64,752)	(21,709)	–	(86,461)
Gain/(loss) on disposal of property, plant and equipment	141	(1,616)	–	(1,475)
Gain on deemed disposal of interest in a subsidiary	–	92,174	–	92,174
Write-off of payables	2,434	25,410	–	27,844

(iii) Geographical information

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

Information about the Group's revenue from its operations from external customers is presented based on the customers' location of incorporation/establishment. Information about the Group's non-current assets other than financial instruments and deferred tax assets is presented based on the geographical location of the assets.

	Revenue from external customers		**Non-current assets**	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC	**34,023,052**	39,180,122	**14,147,791**	14,035,375
Others	**698,797**	2,010,015	**16,093**	15,825
	34,721,849	41,190,137	**14,163,884**	14,051,200

4. OTHER INCOME AND GAINS

	Note	**2013** ***RMB'000***	2012 *RMB'000*
Rental income		**3,548**	3,851
Dividend income from available-for-sale investments	*a*	**3,160**	1,797
Interest income from bank deposits		**7,322**	6,728
Interest income from other deposits		**38,887**	41,244
Interest income from an associate		**49,664**	12,212
Government grants	*b*	**5,243**	14,810
Foreign exchange gain		**4,386**	–
Sales of semi-product, raw materials and scrapped materials		**16,412**	17,323
Release of deferred income		**14,115**	11,757
Compensation received		**13,986**	14,241
Write-off of payables		**12,353**	27,844
Waived consideration payable		**25,000**	–
CDM income	*c*	**3,622**	9,914
Gain on disposal of an associate		**421**	–
Gain on disposal of available-for-sale investment		**1,047**	–
Gain on disposal of investment properties		**14,964**	–
Others		**30,229**	28,098
		244,359	189,819

Note:

a. Amount represents dividend income from listed investments of RMB3,160,000 (2012: RMB1,797,000) and the Group did not receive any dividend income from unlisted investments (2012: nil).

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

c. CDM income represents the Group sells carbon credits known as Certified Emission Reduction ("CERs") which have been registered as Clean Development Mechanism ("CDM") projects with CDM Executive Board of the United Nations under the Kyoto Protocol.

5. FINANCE COSTS

	2013	2012
	RMB'000	*RMB'000*
Interest on borrowings		
– wholly repayable within five years	**113,624**	240,390
– not wholly repayable within five years	**127,350**	127,350
Less: interest expense capitalized	**–**	(1,014)
	240,974	366,726

6. (LOSS)/PROFIT BEFORE TAXATION

	2013	2012
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**291,993**	410,116
Release of prepaid lease payments	**12,003**	22,390
Amortization of mining rights	**33,368**	22,801
Amortization of other long-term assets	**6,698**	15,301
Foreign exchanges loss	**–**	22,902
Loss on disposal of property, plant and equipment	**648**	1,475
Impairment loss on available-for-sale investment	**8,000**	–
Write-down of trade receivables	**15,893**	–
Write-down of other receivables	**21,551**	600
Write-down of inventories	**93,677**	86,461

7. INCOME TAX EXPENSE

(a) Taxation charged/(credited) to profit or loss:

	2013 *RMB'000*	2012 *RMB'000*
Provision for the year		
Hong Kong Profits Tax	**–**	(9,646)
PRC Enterprise Income Tax	**(8,765)**	(29,726)
	(8,765)	(39,372)
(Under)/Over-provision in prior years		
PRC Enterprise Income Tax	**(9,829)**	2,166
Deferred tax		
Origination and reversal of temporary differences	**(324,830)**	(61,505)
	(343,424)	(98,711)

(i) Pursuant to the income tax rules and regulations of Bermuda and the British Virgin Islands ("BVI"), the Group is not subject to income tax in Bermuda and the BVI.

(ii) The provision for Hong Kong Profits Tax for 2013 is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year.

(iii) The provision for the PRC Enterprise Income Tax is based on the statutory rate of 25% on the estimated taxable profits determined in accordance with the relevant income tax rules and regulations of the PRC for the year, except for certain subsidiaries of the Group which enjoy a preferential tax rate according to related tax policies.

(iv) A subsidiary of the Group incorporated in Macao SAR is exempted from income tax.

(b) Reconciliation between tax expense charged to profit or loss and accounting profit at applicable tax rates:

	2013 *RMB'000*	2012 *RMB'000*
(Loss)/Profit before taxation	**(281,382)**	1,022,365
Tax calculated at the applicable tax rate of 25%	**70,345**	(255,591)
Effect of different income tax rates	**5,496**	79,385
Tax effect of non-deductible expenses	**(14,726)**	(4,541)
Tax effect of non-taxable income	**4,970**	8,010
Tax effect of share of results of associates	**26,112**	58,980
Tax effect of share of results of joint ventures	**(3,799)**	17,109
Effect of prior year's tax losses and deductible temporary differences utilized during the year	**2,335**	504
Effect of tax losses and deductible temporary difference not recognized	**(72,925)**	(27,777)
Effect of write-down of deferred tax assets recognized in previous years	**(351,403)**	–
Tax effect of gain on deemed disposal of interest in a subsidiary	**–**	23,044
(Under)/over-provision in prior years	**(9,829)**	2,166
Income tax expense for the year	**(343,424)**	(98,711)

8. DIVIDENDS

	2013	2012
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.0232, equivalent to RMB0.0187 per share (2012: HK$0.0166, equivalent to RMB0.0135 per share)	**130,693**	94,544
No dividend proposed after the end of the reporting period (2012: HK$0.0232, equivalent to RMB0.0187 per share)	**–**	131,650

9. (LOSSES)/EARNINGS PER SHARE

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

	2013	2012
	RMB'000	*RMB'000*
(Losses)/Earnings		
(Losses)/Earnings for the purpose of basic/diluted (losses)/earnings per share	**(476,340)**	878,369

	2013	2012
	'000 shares	*'000 shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (losses)/earnings per share	**7,024,456**	7,024,404
Effect of dilutive potential ordinary shares from:		
– Share options	**–**	18
Weighted average number of ordinary shares for the purpose of diluted (losses)/earnings per share	**7,024,456**	7,024,422

10. INVENTORIES

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Fertilizer merchandise and finished goods	**3,816,809**	4,574,012
Raw material	**457,687**	668,699
Work in progress	**67,816**	78,534
Consumables	**50,725**	54,653
	4,393,037	5,375,898

11. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**237,129**	492,982
Less: allowance for doubtful debts	**(12,515)**	–
	224,614	492,982
Bill receivables	**1,025,630**	665,677
Total trade and bill receivables	**1,250,244**	1,158,659

Aging Analysis of Trade and Bill Receivables

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

	2013	2012
	RMB'000	*RMB'000*
Within 3 months	**507,158**	989,123
More than 3 months but within 6 months	**669,681**	161,463
More than 6 months but within 12 months	**10,034**	4,121
Over 12 months	**63,371**	3,952
	1,250,244	1,158,659

12. TRADE AND BILLS PAYABLES

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Trade payables	**2,329,954**	3,322,420
Bills payables	**288,835**	242,455
Trade and bills payables	**2,618,789**	3,564,875

As at 31 December 2013, the aging analysis of trade and bills payables presented based on the invoice date is as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Within 3 months	**2,424,658**	3,383,439
More than 3 months but within 6 months	**113,202**	95,814
More than 6 months but within 12 months	**32,908**	54,301
Over 12 months	**48,021**	31,321
	2,618,789	3,564,875

FINAL DIVIDEND

The Board did not recommend the declaration of a final dividend for the year ended 31 December 2013 (2012: final dividend of HK$0.0232 per share, equivalent to approximately 0.0187 per share).

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

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 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 2013.

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 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 2013.

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.

The Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules (the "Corporate Governance Code") sets out the principles of good corporate governance, and two levels of recommendations: (a) code provisions; and (b) recommended best practices. It also includes the mandatory disclosure requirements and recommended disclosures in respect of corporate governance for listed companies. For the year ended 31 December 2013 and up to the date of this announcement, the Company has complied with the applicable code provisions in the Corporate Governance Code, except for the deviations from the code provisions A.1.7 and E.1.2 as described below.

The code provision A.1.7 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 and up to the date of this announcement, the Board approved several 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 the matters via emails and made amendments to the transactions as appropriate.

The code provision E.1.2 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 13 June 2013 ("2013 AGM"), Mr. Liu De Shu, Chairman of the Board, did not chair the meeting due to other essential business engagements. In order to ensure smooth holding of the 2013 AGM, the Chairman of the Board authorized and the Directors attended the meeting elected Mr. Feng Zhi Bin, the former 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 2013 AGM and were available to answer relevant questions, which was in compliance with other part of code provision E.1.2.

Save as disclosed above, please refer to the "Corporate Governance Report" contained in the Company's 2013 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. Wang Hong Jun (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 Ms. Xiang Dandan; 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
Wang Hong Jun
Executive Director and Chief Executive Officer

Hong Kong, 27 March 2014

* *For identification purposes only*