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 2014

FINANCIAL HIGHLIGHTS

- The Group's gross profit was RMB1,418 million, increased by 10.87% year on year
- Profit for the year attributable to owners of the Company was RMB229 million (2013: Loss attributable to owners of the Company was RMB476 million)
- Basic earnings per share for the year was RMB0.0326 (2013: basic losses per share was RMB0.0678)
- The Board recommended the payment of a final dividend of HK$0.0104 per share (equivalent to approximately RMB0.0082 per share) (2013: Nil) to shareholders

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), 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 2014 to all the shareholders.

In 2014, the world economy was still sluggish, the growth rate of the Chinese economy gradually slowed down, the oversupply situation in the domestic fertilizer industry was further intensified and a large number of negative factors were witnessed on the international fertilizer market. Against this background, the Group unswervingly promoted strategic agendas put forward at the beginning of the year, actively took measures, made great efforts to mitigate the impact of unfavourable factors and made a profit. The sales volume amounted to 14.63 million tons, decreased by 10.14% year on year; sales revenue of the year amounted to RMB28,311 million, decreased by 18.46% year on year; profit attributable to the owners of the Company amounted to RMB229 million, with basic earnings per share of RMB0.0326. The operation quality indicators of the Group were all in good condition with a sound financial situation. At the same time, the Group's operating capacity was consolidated and enhanced and the strategic partnership with international suppliers further stepped up.

Against such severe market situation, the Board consistently aimed to maximize the shareholders' value in the Group, 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 2014 to review and approve resolutions regarding the annual report, interim report, strategic planning and major investment projects, etc.. The Board 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 2015, it will be difficult to make any distinct improvement on the oversupply situation in the fertilizer industry, the challenge posed by new comers of the industry to the traditional fertilizer operation model will gradually emerge and the market-orientation of fertilizer industry policies will speed up. Meanwhile, the Chinese government is attaching more and more importance to agriculture. The No.1 Document issued on 1 February 2015 by the Central Committee of the Communist Party of China and the State Council of China highlighted that more efforts should be made in reform and innovation and agricultural modernization be quickened, which will bring new opportunities to the Group in respect of transformation and upgrading as well as innovative development.

Confronted with a complex market climate, the Group will stick to the principle of "proactive, safe, sustained and sound" development, centre on transformation and upgrading, take lean management and reform and innovation as the foundation, put down roots in modern agriculture, optimize the business structure and achieve steady and sustainable development in the Company's performance. The Group will bring forth new ideas in the marketing service system, enhance marketing coordination and professional management in headquarters and accelerate the marketing service transformation in distribution networks; improve the basic management level of production enterprises, build a sound management and control system of production enterprises and promote innovation in the management of production enterprises; pool both internal and external resources, set up an open scientific and technological innovation system, upgrade the two capabilities of research and development and technological progress, intensify achievement transformation; and strengthen risk control and ensure operational safety.

Last but not the least, on behalf of the Board, I would like to take this opportunity to extend our appreciations to the shareholders and customers of the Group. We hope to have your continuous concern and support in the future, and expect the management and employees of the Company to bear in mind the concept of "creating value and pursuing excellence", double our efforts, overcome the difficulties and continue to make contributions to the development of the Group.

Liu De Shu
Chairman of the Board

Hong Kong, 26 March 2015

MANAGEMENT REVIEW AND PROSPECT

Business Environment

In 2014, confronted with a complex international environment and an arduous task of domestic reform, development and stability, the Chinese government continued with the general policy of making progress while ensuring stability, achieved continuous and steady economic and social development and the economic performance was kept within a reasonable range. In the meanwhile, the development of the Chinese economy was still faced with many difficulties and challenges and the downward pressure on the economy was still relatively huge.

In 2014, the yield of wheat around the world reached a new historic high, global grain inventory remained at high levels and the international grain price fell to an all-time low since 2010. There was basically sufficient grain supply on the domestic market with China's grain production increasing for the 11th 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 Document in 2014 focused on agriculture for the 11th time in succession and specified that rural reform should be deepened in an all-round way and agricultural modernization quickened. The high importance the Chinese government attached to the development of agriculture brought new opportunities for the fertilizer industry.

In 2014, the fertilizer industry of China remained sluggish, the oversupply situation intensified, the growth of demand slowed down, the price continued to decline and the competition in the fertilizer industry was even fiercer. At the same time, with continuous price increase of transportation as well as strengthened requirements from safety and environmental protection, enterprises faced with bigger operation pressure.

Confronted with a global economic downturn, the Group continued to deepen and promote strategic transformation, take lean management and reform and innovation as the foundation, take root in modern agriculture and turned into an agricultural service enterprise providing high-quality fertilizers and solutions.

Financial Highlights

For the year ended 31 December 2014, the Group's turnover amounted to RMB28,311 million, decreased by 18.46% year on year; and profit for the year attributable to owners of the Company amounted to RMB229 million, turning losses into profits compared to 2013. This is mainly due to the fact that the Company exercised stringent control over market risks while adopting various measures to expand sources of income, reduce expenditures and enhance efficiency. The business operation and management of the Company were therefore improved.

Resource Guarantee

In the year 2014, 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 exploitation. The exploration of Mozushao phosphate mine fully completed the planned task and Sinochem Yunlong realized 617,000 tons of phosphate rock in 2014. In terms of mine construction, Mozushao phosphate mine was listed as one of the "4th Batch of National Green Mine Pilot Units"; 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.

The slowdown in the growth rate of global economy and continuous decline in international bulk commodity provided good opportunities for the Company's efforts in resource guarantee. In 2014, preliminary work was carried out regarding the Group's proposed acquisition of 15.01% equity interest in Qinghai Salt Lake Industry Group Co., Ltd. ("Qinghai Salt Lake") from Sinochem Corporation, an indirect controlling shareholder of the Group. Upon completion, the Group's interests in Qinghai Salt Lake will be increased to about 23.95%, which will further consolidate the market status of the Group on the Chinese potash market. Besides, the Group also actively focused on investment and merger and acquisition opportunities for fertilizer related resources and new fertilizers. Currently, a number of projects are carried out in an orderly way.

Production and Manufacturing

In 2014, annual fertilizer production capacity of the Group's subsidiaries, associates and joint ventures was stabilized at 12 million tons. Production enterprises continued to push forward advanced manufacturing and through lean management, technological renovation and science and technology innovation, both production and operation levels were further improved.

Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd. ("Sinochem Fuling"), a subsidiary of the Group, produced 1.18 million tons phosphate and compound fertilizers and other products during the year. Faced with a downturn of the phosphate industry, Sinochem Fuling insisted on management enhancement and cost reduction and efficiency improvement, optimized procurement process, promoted technological innovation, focused on key markets, integrated logistics resources, enhanced the quality of the personnel, continued with its efforts in scientific and technological innovation, constantly strengthened HSE management and energy saving and emission reduction and upgraded the comprehensive competitiveness in phosphate fertilizer deep processing through hard internal work.

Sinochem Jilin Changshan Chemical Co., Ltd. ("Sinochem Changshan"), a subsidiary of the Group, produced 286,000 tons urea in 2014. Sinochem Changshan carried out differentiated innovation in products, optimized the personnel structure, continued with cost saving, consumption reduction, carried out advanced manufacturing, listed as the first batch of fertilizer enterprises in line with the Entry Requirement for the Synthetic Ammonia Industry by the Ministry of Industry and Information Technology and was named as a "National Top Quality Control (QC) Team in Chemical Industry"; 92% of the urea renovation and expansion project in Sinochem Changshan 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 produced 276,000 tons of feed-grade calcium. Sinochem Yunlong effectively reduced the procurement cost through optimizing the supplier structure and implementing standardized procurement management; and improved its operation efficiency through constant management improvement, product mix adjustment, production consumption reduction, department structure optimization, professional personnel deployment and information construction implementation. Sinochem Yunlong passed the completion acceptance of the comprehensive utilization demonstration project of low-grade phosphate rock and comprehensively utilized low-grade phosphate rock with product quality reaching international advanced level. Sinochem Yunlong steadily promoted the building of a new phospho-gypsum slag site, enhanced the environmental capacity and laid a solid foundation for industrial upgrading.

Marketing Services

Taking into consideration characteristics of China's agriculture, the Group constantly strengthened the operation foundation through system reform and mode innovation. During the year, sales volume achieved 14.63 million tons, which further consolidated the Group's status as the biggest fertilizer distributor and service provider in China.

Potash Operations: Sales volume of potash fertilizer amounted to 2.91 million tons in 2014. The Group maintained its leading status in the domestic potash market by seizing the customers' demand and maintaining good cooperation with core customers in China. The Group strengthened its dominant position in China's potash market by further consolidating the acquisition channels of high-quality potash resources, enhancing the competitiveness of industrial potash in marketing and trading, deepening the connotation of channel marketing of potash for agriculture, speeding up strategic innovation and transformation and building a cutting edge across the product portfolio.

Nitrogen Operations: In 2014, 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 5.30 million tons. The Group continued to strengthen the building of a core supplier system, stepped up cooperation with core suppliers, enhanced the product source guarantee capacity and consolidated the foundation for cooperation; reduced risk and realized steady profitability by controlling open product sources against the market downturn; and sped up development and cultivation of new products with steady improvement in sales volume of new nitrogen products such as UAN and bigger contribution to the profit.

Phosphate Operations: Sales volume of phosphate fertilizer amounted to 3.11 million tons for the year 2014. The Group deepened integrated operation and built a strategic supply system with five product supply bases through enhancing operation management; continued to build the core supplier system for DAP business, cultivate the marketing capability and promote the strategy of "one brand for each customer in each county"; increased the proportion of direct supply and direct sales of MAP, strengthened raw material supply from subsidiaries and enhanced the operation scale and profitability of phosphate fertilizer.

Compound Fertilizer Operations: Sales volume of compound fertilizers amounted to 2.08 million tons in 2014. 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 and distribution networks, further promoted the integration of channels between production enterprises and distribution networks and improved operation efficiency; continued to promote the building of marketing capabilities, 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 2014 amounted to 0.29 million tons. Sinochem Yunlong effectively reduced the transportation cost through developing and optimizing the logistics structure. 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 2014, 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. The Group continued to promote the marketing transformation of the branches, 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 signed a Three-year Strategic Cooperation Agreement with the Planting Industry Management Department, Ministry of Agriculture to jointly carry out scientific fertilization and explored innovation in operation models that take root in modern agriculture through formula fertilizer, packages of seed, fertilizer and pesticide as well as combination of agricultural machinery and agronomy, etc..

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 nine special management committees including the 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. Under the principle of "high priority, daily monitoring and mainly transferring", the Group regularly conducted risk identification, assessment and response, implemented a whole-process risk alarming management mechanism for major risks, strengthened source treatment and accountability through promoting the building of an internal control system and highlighted management and control on key subsidiaries, key business, key process and key risk points while strengthening basic management. The above Corporate Governance efforts met the compliance requirements from the overseas regulatory organizations, provided reasonable protection for the Group to cope with the changing domestic and international operational environment, serve the Group's strategic transformation and ensured shareholders' interests, assets safety and strategic implementation.

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 endeavoured 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. In 2014, the Group focused on the implementation of agronomic efforts such as agronomic seminars, free soil testing service, building of pilot demonstration fields and anti-counterfeiting and brand protection, promoted the creation of formula fertilizer demonstration counties, the "Double-growth 200" program and the building of field schools for farmers by cooperating with the Ministry of Agriculture and local agricultural departments. By the end of 2014, 13,050 activities were carried out and 1,223 demonstration fields, 19 scientific fertilization demonstration counties and 178 filed schools for farmers were built, which benefited over 620,000 farmers.

In order to better implement scientific fertilization, the Group deepened its cooperation with the Planting Industry Management Department, Ministry of Agriculture and signed the "Memorandum on Jointly Promoting Scientific Fertilization" with the latter in order to explore a long-term mechanism for the formula fertilization promotion through the cooperation between farmers and enterprises, gradually enhance the scientific fertilization level of farmers and promote the increase of grain output and improvement of agricultural efficiency as well as the transformation and upgrading of the fertilizer industry. The campaign to create demonstration counties for agronomic service – "Sinofert Devotion and Rural Dreams" and formula fertilization promotion through the cooperation between farmers and enterprises launched by the Group and the Planting Industry Management Department, Ministry of Agriculture was kicked off on 2 April, 2014 in Heshan District, Yiyang City, Hunan province and Mr. He Caiwen, Deputy Director of the Planting Industry Management Department, Ministry of Agriculture witnessed the launching ceremony.

Sinochem Fertilizer Co., Ltd. ("Sinochem Fertilizer"), a subsidiary of the Group, together with the Ministry of Agriculture, carried out the program of "Double-growth 200" in Northeast China for the third consecutive year in order to promote the increase of corn output and farmers' income in Northeast China. As a result, 600 activities including technological training, filed guidance and observation tours were carried out and 20,000 wall charts of corn and brochures on planting technology were extended, which benefited 50,000 farmers.

Sinochem Fertilizer, cooperated with the Department of Science & Education, Ministry of Agriculture as well as the Central Agricultural Broadcasting and Television School to jointly launch the "Workshop for the Training of New Professional Farmers and Capability Enhancement of Grain King in Northeast China" in Harbin City, Heilongjiang Province, which were attended by over 100 big grain production households from Heilongjiang, Jilin, Liaoning, Inner Mongolia and the Agriculture Bureau of Heilongjiang. The workshops were based on the "Education Program for New Professional Farmers" of the Department of Science & Education, Ministry of Agriculture and were an effective attempt jointly launched by government department, enterprise and university for new production and operation oriented professional farmers in the three provinces in Northeast China, Inner Mongolia Autonomous Region and the Agriculture Bureau of Heilongjiang.

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 formula fertilization, combination of agricultural machinery and agronomy, integration of water and fertilizer and integrated solutions for crops, pool 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 farmers in China.

The Group continued to strengthen HSE management, combined it with production operation and the sustainable development, built a professional HSE team, strengthened the HSE system development and training in the headquarters and relevant key subsidiaries, associate and joint ventures and constantly promoted the rectification of potential safety hazards. 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 24.1%, COD by 8.2%, NH_3-N by 16.1% and NOx by 19.9%.

Outlook

Against the background of a continuous global economic slump, the Chinese economy will remain at "a new normal phase" of steady growth and restructuring for a relatively long time to come. The Chinese government will continue with the general policy of making progress while ensuring stability, deepen reform in an all-round way, maintain the continuity and stability of macro policies and realize continued and steady economic and social development.

The No.1 Document in 2015 continues to focus on agriculture and highlights that new potential should be tapped in increasing grain production capacity, new road explored in optimizing agricultural structure, new breakthrough made in transforming agricultural development mode, new results achieved in increasing farmers' income, new steps taken in building a new countryside and strong support provided for the continued and sound economic and social development under the general requirement of stabilizing grain yield and increasing farmers' income, improving quality and increasing efficiency as well as innovation-driven development.

China is now the biggest fertilizer producer and consumer in the world. The surplus fertilizer production capacity and the increasing pressure on grain safety in China have brought huge challenges to the sustainable development of agriculture; at the same time, the fact that modern agriculture is still growing will provide opportunities for the Group's development. As a leading fertilizer enterprise in China, the Group will focus on the promotion of strategic transformation, strive to become a global leading provider of agricultural inputs and agrochemical services, create value for owners of the Company and make bigger contribution to national food security and industrial development.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the twelve months ended 31 December 2014, sales volume of the Group was 14.63 million tons, and turnover amounted to RMB28,311 million, decreased by 10.14% and 18.46% respectively, over the corresponding period of 2013.

For the twelve months ended 31 December 2014, gross profit of the Group amounted to RMB1,418 million, increased by RMB139 million over the corresponding period of 2013. The profit for the year attributable to owners of the Company amounted to RMB229 million. Confronted with the decline in product prices and the oversupply in the industry in 2014, the management of the Group strictly controlled the business risks, seized the opportunities in the market, and continued to adopt the operational guideline of "reducing cost and improving efficiency", leading the Group back in the black.

I. Operation Scale

1. Sales Volume

For the twelve months ended 31 December 2014, sales volume of the Group was 14.63 million tons, decreased by 10.14% over the corresponding period of 2013. In 2014, the fertilizer market continued to be oversupplied which resulted in the decline of sales volume of major fertilizers of the Group compared to 2013 with sales volume of domestic fertilizers down by 18.44% year on year to 10.05 million tons; however, with the Group's continuous efforts, sales volume of imported fertilizers amounted to 3.34 million tons, which increased slightly compared to 2013.

In terms of product mix, sales volume of compound fertilizer of the Group increased by 4.71% year on year while sales volume of potash, nitrogen and phosphate declined by 3.13%, 26.99% and 7.87% respectively 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 2014, turnover of the Group amounted to RMB28,311 million, decreased by RMB6,411 million or 18.46% over the corresponding period of 2013. The fall range of turnover was higher than that of sales volume (10.14%), which was mainly attributable to the fact that the Group's average selling price decreased by 9.26% year on year due to the falling prices of fertilizers in the market in 2014.

Table 1:

	For the twelve months ended 31 December			
	2014		2013	
	Turnover *RMB'000*	**As percentage of total turnover**	Turnover *RMB'000*	As percentage of total turnover
Potash fertilizer	**6,242,557**	**22.05%**	7,464,758	21.50%
Nitrogen fertilizer	**7,753,464**	**27.39%**	12,474,903	35.93%
Compound fertilizer	**5,441,242**	**19.22%**	5,450,853	15.70%
Phosphate fertilizer	**6,941,815**	**24.52%**	7,936,128	22.86%
MCP/MDCP	**721,969**	**2.55%**	626,862	1.80%
Others	**1,210,039**	**4.27%**	768,345	2.21%
Total	**28,311,086**	**100.00%**	34,721,849	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 2014 and the corresponding period of 2013:

Table 2:

2014

	Marketing *RMB'000*	**Production** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
Turnover				
External sales	**26,105,227**	**2,205,859**	**–**	**28,311,086**
Inter-segment sales	**962,691**	**2,774,971**	**(3,737,662)**	**–**
Total	**27,067,918**	**4,980,830**	**(3,737,662)**	**28,311,086**
Segment gross profit	**1,052,450**	**365,651**	**–**	**1,418,101**
Segment profit/(loss)	**377,808**	**(214,413)**	**–**	**163,395**

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)

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. Such information was 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 2014, the external sales turnover decreased by RMB6,411 million over the corresponding period of 2013, which was attributable to that the prices of products and the sales volume dropped due to oversupply in overseas and domestic markets in 2014.

For the twelve months ended 31 December 2014, the segment profit of the Group was RMB163 million. Among which, Marketing Segment successfully realized a profit of RMB378 million through seizing market opportunities and accelerating inventory turnover in the descending market conditions, increased by RMB316 million over the corresponding period of 2013; meanwhile, though there is no change to the oversupply situation of the fertilizer industry in 2014, through continuing to adopt the operational guideline of "reducing cost and improving efficiency", the loss that the Production Segment suffered, decreased by RMB38 million over the corresponding period of 2013, which witnessed preliminary results of the management policy.

II. Profit

1. Gross profit

For the twelve months ended 31 December 2014, gross profit of the Group amounted to RMB1,418 million, increased by RMB139 million over the corresponding period of 2013.

The Group undertook different strategies for different products. In terms of potash, the gross profit increased by 59% year on year, mainly through constantly deepening the operation transformation and steadily strengthening the channel marketing of potash for agriculture; in terms of phosphate, the gross profit increased by 13% year on year, mainly through strengthening the dynamic management of suppliers, optimizing the distribution of logistics and reinforcing the brand management; in terms of compound fertilizer, influenced by the oversupply situation in the market, the gross profit was slightly lower than that of 2013 as the Group undertook the profit model of integrating of production, supply and marketing and optimized the structure of the products; in terms of nitrogen, the Group strictly controlled the risks and cautiously operated the business, but the gross profit still declined by 31% compared to 2013 as the selling price of nitrogen stayed low in 2014.

In summary, under the complex conditions of the fertilizer market, the Group steadily carried out the transformation of marketing and reinforced the basic management of the production business with progress in strategic development and management improvement, which led to relatively good operating performance in 2014.

2. Share of results of joint ventures and associates

Share of results of joint ventures: For the twelve months ended 31 December 2014, the share of results of joint ventures of the Group amounted to a loss of RMB56 million. Among the Group's affiliated enterprises, the share of results of joint ventures from Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. ("Three Circles-Sinochem") was a loss of RMB67 million, increased by RMB48 million year on year because of the decline of sales amount and selling price as the oversupply situation in the phosphorous chemicals industry did not improve.

Share of results of associates: For the year ended 31 December 2014, the share of results of associates of the Group amounted to RMB134 million, increased by RMB28 million over the corresponding period of 2013. This was mainly attributable to the significant profit increase from Qinghai Salt Lake, one of the Group's associates.

3. Income tax expenses

For the twelve months ended 31 December 2014, income tax expenses of the Group were RMB137 million, decreased by RMB206 million over the corresponding period of 2013. This was mainly attributable to the fact that RMB126 million of deferred income tax was reversed at expiry from the provision made in the previous years by Sinochem Fertilizer, and RMB351 million deferred income tax was written down in 2013 as it was expected that there might not have sufficient taxable profit available in the future.

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 profit tax, while Hong Kong profit tax rate is 16.5%. The Group strictly complies with the taxation laws of the respective jurisdictions and pays taxes accordingly.

4. Net profit attributable to owners of the Company

For the twelve months ended 31 December 2014, net profit attributable to owners of the Company was RMB229 million. This was mainly attributed to that confronted with the severe market conditions, the Group adopted many operation measures and seized market opportunities, which led to a higher level of profitability.

For the twelve months ended 31 December 2014, the net profit margin was 0.81%, which is calculated based on profit attributable to owners of the Company divided by turnover.

III. Expenditures

For the twelve months ended 31 December 2014, three expenses amounted to RMB1,584 million, decreased by RMB145 million or 8.39% from RMB1,729 million over the corresponding period of 2013.

Selling and distribution expenses: For the twelve months ended 31 December 2014, selling and distribution expenses amounted to RMB841 million, decreased by RMB13 million or 1.52% from RMB854 million over the corresponding period of 2013. The decrease was mainly attributable to the fact that under the severe market conditions, the Group constantly accelerated the inventory turnover so that the warehousing costs decreased by RMB22 million year on year; meanwhile, with domestic logistics costs rising in 2014, the logistics costs of the Group increased by RMB9 million year on year.

Administrative expenses: For the twelve months ended 31 December 2014, administrative expenses amounted to RMB600 million, decreased by RMB33 million compared to RMB633 million for the year ended 31 December 2013. This was mainly attributable to that the Group continued to adopt the operational guideline of "reducing cost and improving efficiency" and constantly cut down various expenses, which led to the reduction of administrative expenses.

Finance costs: For the twelve months ended 31 December 2014, finance costs amounted to RMB143 million, decreased by RMB98 million or 40.66% from RMB241 million over the corresponding period of 2013. This was mainly because: (1) due to the reduction of the average scale of the Group's borrowings in 2014, the interest expense was reduced by RMB5 million compared to that in 2013; and (2) the Group brought into full play the advantage of domestic and overseas capital platform and constantly reduced the financial costs, which led to the decline of interest expense of RMB93 million year on year.

IV. Other Income and Gains

For the twelve months ended 31 December 2014, the Group's other income and gains amounted to RMB463 million, increased by RMB219 million or 89.75% from RMB244 million over the corresponding period of 2013. This was mainly attributable to the fact that Sinochem Fertilizer, Guizhou Kailin Holdings (Group) Co., Ltd. ("Kailin Holdings"), Guizhou Kailin Group Co., Ltd. ("Kailin Group") and other parties entered into a capital increase agreement in 2014. According to the agreement, Sinochem Fertilizer agreed to subscribe for the enlarged registered capital of Kailin Group and as a consideration of which, Sinochem Fertilizer transferred its 13.41% equity interest in Guiyang Sinochem Kailin Fertilizer Co., Ltd. ("Sinochem Kailin") to Kailin Group. This equity transfer is considered as a disposal of the available-for-sale investment and as a result, other income and gains in 2014 increased by RMB107 million year on year; meanwhile, the Group constantly strengthened capital management and improved the capital utilization, and the interest income and the exchange gain increased by RMB103 million compared to 2013.

V. Other Expenses and Losses

For the twelve months ended 31 December 2014, the Group's other expenses and losses amounted to RMB104 million, decreased by RMB63 million or 37.72% from RMB167 million over the corresponding period of 2013. This was mainly attributable to the fact that with the slow recovery of the market in the beginning of 2015, the sales price of every product has been rebounded to a varying degree, and thus the provision for the written-down of inventory decreased by RMB67 million in 2014 compared to 2013.

VI. Inventory

The inventory balance of the Group as at 31 December 2014 amounted to RMB5,948 million, increased by RMB1,555 million or 35.40% from RMB4,393 million as at 31 December 2013. This was mainly attributable to the fact that the Group increased inventory purchases at the end of 2014 in order to timely meet the market demand and control the costs as the purchase prices were low in 2014 and the market condition was improving at the end of 2014. Due to the increase of inventory scale, inventory turnover days[*Note*] increased from 53 days in 2013 to 69 days in 2014.

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

The balance of the Group's trade and bills receivables as at 31 December 2014 amounted to RMB1,276 million, increased by RMB26 million or 2.08% from RMB1,250 million as at 31 December 2013. 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 2013.

Both the turnover and the balance of trade and bills receivables of the Group decreased year on year, and the trade and bills receivables turnover day[*Note*] was 15 days in 2014, 3 days less than the 12 days in 2013.

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 Joint Ventures

As at 31 December 2014, the balance of the Group's interests in joint ventures amounted to RMB540 million, decreased by RMB9 million or 1.64% from RMB549 million as at 31 December 2013. This was mainly attributable to the declining results of joint ventures of the Group due to the oversupply condition and falling sales price in the domestic fertilizer industry in 2014. Among the joint ventures, Three Circles-Sinochem suffered losses in 2014, which led to the decreasing interests of RMB67 million in joint ventures under the equity accounting method; and meanwhile, the Group added a new joint venture, Hainan Zhongsheng Agricultural Technology Co., Ltd., which led to the increasing interests in joint ventures of RMB51 million.

IX. Interests in Associates

The balance of the Group's interests in associates as at 31 December 2014 amounted to RMB8,359 million, increased by RMB123 million or 1.49% from RMB8,236 million as at 31 December 2013, including:

1. Share of results of associates for the year 2014 amounted to RMB134 million, which increased interests in associates;

2. The Group received the dividend of RMB11 million from associates of the Group in 2014, which resulted in a decrease of interests in associates.

X. Available-for-sale Investments

As at 31 December 2014, the balance of the Group's available-for-sale investments amounted to RMB474 million, increased by RMB101 million or 27.08% from RMB373 million as at 31 December 2013. This is mainly attributed to the fact that Sinochem Fertilizer, Kailin Holdings, Kailin Group and other parties entered into a capital increase agreement in 2014. According to the agreement, Sinochem Fertilizer agreed to subscribe for the enlarged registered capital of Kailin Group and as a consideration of which, Sinochem Fertilizer transferred its 13.41% equity interest in Sinochem Kailin to Kailin Group, which led to the increasing available-for-sale investments of RMB107 million compared to that at 31 December 2013. Meanwhile, the stock price of China XLX Fertiliser Co., Ltd., whose shares was held by a subsidiary of the Group, at 31 December 2014, was in decline, which led to the decrease in available-for-sale investments of RMB6 million compared to that at 31 December 2013.

XI. Interest-bearing borrowings

As at 31 December 2014, the Group's liabilities with interests amounted to RMB2,873 million, decreased by RMB1,038 million from RMB3,911 million as at 31 December 2013. In which:

(1) Borrowings

As at 31 December 2014, the balance of the Group's borrowings amounted to RMB2,873 million, decreased by RMB38 million or 1.31% from RMB2,911 million as at 31 December 2013. This was mainly attributable to that the Group repaid part of the external borrowings and cut down the scale of borrowings in 2014.

(2) Short-Term Commercial Paper

The Group repaid the RMB1,000 million one-year short-term commercial paper on 25 April 2014 which was issued in 2013.

XII. Trade and Bills Payables

As at 31 December 2014, the balance of the Group's trade and bills payables amounted to RMB4,629 million, increased by RMB2,010 million or 76.75% from RMB2,619 million as at 31 December 2013. This was mainly attributable to the fact that the Group upsized the inventory scale at the end of 2014, which resulted in the increase of bills and accounts payable correspondingly.

XIII. Other Financial Indicators

Basic earnings per share for the twelve months ended 31 December 2014 amounted to RMB0.0326, and return on equity (ROE) for the twelve months ended 31 December 2014 was 1.72%, both higher than those in 2013, which was mainly attributable to the fact that the Group turned losses to profits.

Table 3:

	2014	2013
Profitability		
Earnings/(Losses) per share (RMB) *(Note 1)*	**0.0326**	(0.0678)
ROE *(Note 2)*	**1.72%**	(3.64%)

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

Note 2: Calculated based on profit/(loss) attributable to owners of the Company for the reporting period divided by equity attributable to the owners of the Company as at the end of the reporting period.

As at 31 December 2014, the Group's current ratio was 1.12, and the debt-to-equity ratio was 20.39%. The Group maintained a stable financial structure through actively undertaking various operating measures under the weak fertilizer market.

Table 4:

	2014	2013
Liquidity and Capital adequacy		
Current ratio *(Note 1)*	**1.12**	1.17
Debt-to-Equity ratio *(Note 2)*	**20.39%**	29.43%

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).

XIV. Liquidity and Financial Resources

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

As at 31 December 2014, cash and cash equivalents of the Group amounted to RMB463 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	
	2014	2013
	RMB'000	*RMB'000*
Bank borrowings, secured	**144,411**	–
Bank borrowings, unsecured	**40,000**	425,335
Short-term commercial paper	**–**	1,000,000
Borrowings from Sinochem Group	**200,000**	–
Bonds		
Principal amount	**2,500,000**	2,500,000
Less: amortized transaction costs	**(11,515)**	(13,865)
Total	**2,872,896**	3,911,470

Table 6:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Carrying amount repayable		
Within one year	**184,411**	1,425,335
More than one year, but within five years	**2,688,485**	–
More than five years	**–**	2,486,135
Total	**2,872,896**	3,911,470

Table 7:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Fixed-rate borrowings	**2,872,896**	3,811,470
Variable-rate borrowings	**–**	100,000
Total	**2,872,896**	3,911,470

As at 31 December 2014, the Group had banking facilities equal to RMB24,707 million, including US$1,905 million and RMB13,050 million, respectively. The amount of utilized banking facilities amounted to US$306 million and RMB921 million, and unutilized banking facilities amounted to US$1,599 million and RMB12,129 million, respectively.

As at 31 December 2014, the Group had bills receivables with the book value of RMB144 million in banks for discount.

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

XV. 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 bank deposits; and other price risk represents the Group's risk related to the value of equity investments, which mainly derived from investments in equity securities.

The majority of the Group's assets, liabilities and transactions are denominated in RMB, US dollar and Hong Kong dollar. In addition, the management continued to monitor and control the exchange rate risk 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 2014. The Group has adequate monitoring procedures and corresponding measures in respect of granting credit, credit approval and other related aspects so as to ensure the timely follow-up of credit to be matured to mitigate the credit risk.

Liquidity risk

The Management is responsible for the Group's overall cash and cash equivalents 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.

XVI. Contingent Liabilities

As at 31 December 2014, the Group had no contingent liabilities.

XVII. Capital Commitment

Table 8:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Contracted but not provided for		
– Property, plant and equipment	**266,793**	373,729
Authorized but not contracted for		
– Property, plant and equipment	**609,617**	1,156,236
– Investments in an associate and others	**4,190,101**	–
Total	**5,066,511**	1,529,965

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

XVIII. Material Investments

On 9 December 2014, the Board announced that Sinochem Fertilizer proposed to enter into a share transfer agreement with Sinochem Corporation, pursuant to which Sinochem Fertilizer shall acquire, and Sinochem Corporation shall sell, 238,791,954 issued shares of Qinghai Salt Lake, representing 15.01% of its total issued share capital, at a total consideration of RMB3,890,101,118.75 (the "Acquisition"). Prior to the Acquisition, Sinochem Fertilizer owns 142,260,369 shares of Qinghai Salt Lake, representing 8.94% of its total issued share capital. Upon completion of the Acquisition, Sinochem Fertilizer will hold 381,052,323 shares of Qinghai Salt Lake, representing 23.95% of the total share capital and will become the second largest shareholder of Qinghai Salt Lake. The details of the proposed Acquisition were disclosed in the circular of the Company dated 27 January 2015. The Acquisition was subsequently approved by the independent shareholders in a special general meeting held on 12 February 2015.

XIX. Material Disposal

On 29 September 2014, Sinochem Fertilizer, Kailin Holdings, Kailin Group and other parties entered into a capital increase agreement, pursuant to which Sinochem Fertilizer subscribed for approximately 3.71% of the enlarged registered capital of Kailin Group and as a consideration of which, Sinochem Fertilizer transferred its 13.41% equity interest in Sinochem Kailin to Kailin Group.

XX. 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/her 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 2014, the Group had about 7,257 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 2014, the Group provided 2,636 person-times or 15,152 hours of training (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 standards 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 2014, which have been audited by the Group's external auditor, together with the comparative figures for prior year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	**2014** *RMB'000*	2013 *RMB'000*
Turnover	*3(a)*	**28,311,086**	34,721,849
Cost of sales		**(26,892,985)**	(33,442,353)
Gross profit		**1,418,101**	1,279,496
Other income and gains	*4*	**463,436**	244,359
Selling and distribution expenses		**(840,871)**	(854,307)
Administrative expenses		**(599,717)**	(633,311)
Other expenses and losses		**(103,997)**	(167,367)
Share of results of associates		**133,660**	105,917
Share of results of joint ventures		**(55,500)**	(15,195)
Finance costs	*5*	**(142,990)**	(240,974)
Profit/(Loss) before taxation	*6*	**272,122**	(281,382)
Income tax	*7*	**(136,700)**	(343,424)
Profit/(Loss) for the year		**135,422**	(624,806)
Profit/(Loss) for the year attributable to:			
– Owners of the Company		**229,339**	(476,340)
– Non-controlling interests		**(93,917)**	(148,466)
		135,422	(624,806)

	Note	2014 RMB'000	2013 RMB'000
Profit/(Loss) for the year		**135,422**	(624,806)
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**4,179**	(107,971)
Changes in fair value of available-for-sale investments		**(5,591)**	13,158
Other comprehensive expense for the year		**(1,412)**	(94,813)
Total comprehensive income/(expense) for the year		**134,010**	(719,619)
Total comprehensive income/(expense) attributable to:			
– Owners of the Company		**227,927**	(571,153)
– Non-controlling interests		**(93,917)**	(148,466)
		134,010	(719,619)
Earnings/(Losses) per share			
Basic (RMB)	*9*	**0.0326**	(0.0678)
Diluted (RMB)	*9*	**0.0326**	(0.0678)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment		**3,783,755**	3,312,182
Prepaid lease payments		**514,076**	507,169
Mining rights		**675,984**	707,169
Goodwill		**812,319**	811,356
Other long-term assets		**8,783**	10,450
Interests in associates		**8,359,435**	8,236,002
Interests in joint ventures		**539,965**	549,286
Available-for-sale investments		**474,005**	373,242
Advance payments for acquisition of property, plant and equipment		**43,490**	30,270
Deferred tax assets		**198,559**	337,172
		15,410,371	14,874,298
Current assets			
Inventories	*10*	**5,948,265**	4,393,037
Trade and bills receivables	*11*	**1,276,330**	1,250,244
Other receivables and advance payments		**1,248,769**	1,375,907
Loans to an associate		**700,000**	887,000
Prepaid lease payments		**13,159**	13,215
Other deposits		**151,200**	671,800
Bank balances and cash		**462,890**	363,782
		9,800,613	8,954,985
Current liabilities			
Trade and bills payables	*12*	**4,628,833**	2,618,789
Other payables and receipt in advance		**3,882,756**	3,570,273
Interest-bearing borrowings – due within one year		**184,411**	425,335
Short-term commercial paper		**–**	1,000,000
Financial liability		**25,633**	–
Tax liabilities		**13,533**	16,308
		8,735,166	7,630,705
Net current assets		**1,065,447**	1,324,280
Total assets less current liabilities		**16,475,818**	16,198,578

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Non-current liabilities		
Interest-bearing borrowings		
– due after one year	**2,688,485**	2,486,135
Deferred income	**115,788**	122,456
Deferred tax liabilities	**246,755**	259,082
Other long-term liabilities	**42,502**	37,928
	3,093,530	2,905,601
NET ASSETS	**13,382,288**	13,292,977
CAPITAL AND RESERVES		
Issued equity	**8,267,384**	8,267,384
Reserves	**5,047,992**	4,820,065
Total equity attributable to owners of the Company	**13,315,376**	13,087,449
Non-controlling interests	**66,912**	205,528
TOTAL EQUITY	**13,382,288**	13,292,977

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL

These 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, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements for the year ended 31 December 2014 comprise the Group and the Group's interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- financial instruments classified as available-for-sale securities

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 2013 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 HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*

- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

- HK(IFRIC) 21, *Levies*

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have any impact on the Group's interim financial report as the Company and its subsidiaries do not qualify to be investment entities.

Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The amendments do not have any material impact on the Group's financial statements.

HK(IFRIC) 21, *Levies*

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognized. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

3. TURNOVER AND SEGMENT REPORTING

(a) Turnover

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

	2014	2013
	RMB'000	*RMB'000*
Potash fertilizer	**6,242,557**	7,464,758
Nitrogen fertilizer	**7,753,464**	12,474,903
Compound fertilizer	**5,441,242**	5,450,853
Phosphate fertilizer	**6,941,815**	7,936,128
MCP/MDCP	**721,969**	626,862
Others	**1,210,039**	768,345
	28,311,086	34,721,849

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 agricultural 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.

2014	**Marketing** *RMB'000*	**Production** *RMB'000*	**Elimination** *RMB'000*	**Total** *RMB'000*
Revenue				
External revenue	**26,105,227**	**2,205,859**	**–**	**28,311,086**
Internal revenue	**962,691**	**2,774,971**	**(3,737,662)**	**–**
Segment revenue	**27,067,918**	**4,980,830**	**(3,737,662)**	**28,311,086**
Segment gross profit	**1,052,450**	**365,651**	**–**	**1,418,101**
Segment profit/(loss)	**377,808**	**(214,413)**	**–**	**163,395**
Share of results of associates	**1,425**	**132,235**	**–**	**133,660**
Share of results of joint ventures	**1,838**	**(57,338)**	**–**	**(55,500)**
Unallocated expenses				**(107,773)**
Unallocated income				**281,330**
Finance costs				**(142,990)**
Profit before taxation				**272,122**
Assets				
Segment assets	**8,017,274**	**6,651,232**	**–**	**14,668,506**
Interests in associates	**16,677**	**8,342,758**	**–**	**8,359,435**
Interests in joint ventures	**55,186**	**484,779**	**–**	**539,965**
Available-for-sale investments				**474,005**
Deferred tax assets				**198,559**
Other unallocated assets				**970,514**
Consolidated total assets				**25,210,984**
Liabilities				
Segment liabilities	**7,487,868**	**1,165,136**	**–**	**8,653,004**
Deferred tax liabilities				**246,755**
Other unallocated liabilities				**2,928,937**
Consolidated total liabilities				**11,828,696**

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

(ii) ***Other Segment information***

2014	**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	**10,257**	**805,963**	**12**	**816,232**
Write-down of trade receivables	**–**	**(477)**	**–**	**(477)**
Reversal of collectible receivables	**10,800**	**–**	**–**	**10,800**
Impairment loss on property, plant and equipment	**–**	**(7,498)**	**–**	**(7,498)**
Depreciation and amortization	**(10,920)**	**(325,884)**	**(11)**	**(336,815)**
Release of prepaid lease payments	**–**	**(12,121)**	**–**	**(12,121)**
Write-down of inventories	**(11,297)**	**(15,458)**	**–**	**(26,755)**
Gain/(Loss) on disposal of property, plant and equipment	**172**	**(4,958)**	**–**	**(4,786)**
Write-off of payables	**625**	**11,119**	**–**	**11,744**

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

(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**	
	2014 *RMB'000*	2013 *RMB'000*	**2014** *RMB'000*	2013 *RMB'000*
The PRC	**27,110,559**	34,023,052	**14,721,377**	14,147,791
Others	**1,200,527**	698,797	**16,430**	16,093
	28,311,086	34,721,849	**14,737,807**	14,163,884

4. OTHER INCOME AND GAINS

	2014 *RMB'000*	2013 *RMB'000*
Rental income	**3,727**	3,548
Dividend income from available-for-sale investments	**3,042**	3,160
Interest income from bank deposits	**8,731**	7,322
Interest income from other deposits	**89,845**	38,887
Interest income from an associate	**48,277**	49,664
Government grants	**23,836**	5,243
Foreign exchange gain	**56,581**	4,386
Sales of semi-product, raw materials and scrapped materials	**37,529**	16,412
Release of deferred income	**9,668**	14,115
Compensation received	**18,382**	13,986
Write-off of payables	**11,744**	12,353
Waived consideration payable	**–**	25,000
CDM income	**–**	3,622
Gain on disposal of an associate	**–**	421
Gain on disposal of a subsidiary	**1,881**	–
Gain on disposal of available-for-sale investment *(note)*	**106,754**	1,047
Gain on disposal of investment properties	**–**	14,964
Others	**43,439**	30,229
	463,436	244,359

Note: Sinochem Fertilizer Co., Ltd. ("Sinochem Fertilizer", a subsidiary of the Group) has 13.41% equity interest in Guiyang Sinochem Kailin Fertilizer Co., Ltd. ("Sinochem Kailin") which is accounted as an available-for-sale investment of the Group as at 31 December 2013. Pursuant to the capital increase agreement between Sinochem Fertilizer, Guizhou Kailin Group Co., Ltd. ("Kailin Group") and other participants dated 29 September 2014, Sinochem Fertilizer has agreed to subscribe for the increased registered capital of Kailin Group and as consideration for which, Sinochem Fertilizer shall transfer its 13.41% equity interest in Sinochem Kailin to Kailin Group. The consideration of the transaction was determined based on the valuation of the assets including Sinochem Kailin and Kailin Group as at 30 September 2014 prepared by an independent valuer.

Upon completion of the transaction in 2014, Sinochem Fertilizer was no longer hold any direct equity interest in Sinochem Kailin, but instead held equity interest representing approximately 3.71% of the enlarged registered capital of Kailin Group. Sinochem Fertilizer derecognized the available-for-sale investment in Sinochem Kailin, recognized a new available-for-sale investment in Kailin Group at fair value, and recognized a gain for the derecognition of the available-for-sale investment of RMB106,754,000 accordingly.

5. FINANCE COSTS

	2014 *RMB'000*	2013 *RMB'000*
Interest on borrowings		
– wholly repayable within five years	**142,990**	113,624
– not wholly repayable within five years	**–**	127,350
	142,990	240,974

6. PROFIT/(LOSS) BEFORE TAXATION

	2014	2013
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**297,657**	291,993
Release of prepaid lease payments	**12,121**	12,003
Amortization of mining rights	**32,625**	33,368
Amortization of other long-term assets	**6,533**	6,698
Loss on disposal of property, plant and equipment	**4,786**	648
Impairment loss on available-for-sale investment	**–**	8,000
Write-down of trade receivables	**477**	15,893
Write-down of other receivables	**–**	21,551
Write-down of inventories	**26,755**	93,677
Impairment loss on property, plant and equipment	**7,498**	–
Reversal of collectible receivables	**(10,800)**	–

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss:

	2014	2013
	RMB'000	*RMB'000*
Provision for the year		
PRC Enterprise Income Tax	**(8,319)**	(8,765)
Over/(Under)-provision in prior years		
Hong Kong Profits Tax	**49**	–
PRC Enterprise Income Tax	**(2,141)**	(9,829)
Deferred tax		
Origination and reversal of temporary differences	**(126,289)**	(324,830)
	(136,700)	(343,424)

(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 2014 is calculated at 16.5% (2013: 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 and accounting profit at applicable tax rates:

	2014	2013
	RMB'000	*RMB'000*
Profit/(Loss) before taxation	**272,122**	(281,382)
Tax calculated at the applicable tax rate of 25%	**(68,030)**	70,345
Effect of different income tax rates	**41,875**	5,496
Tax effect of non-deductible expenses	**(30,009)**	(14,726)
Tax effect of non-taxable income	**619**	4,970
Tax effect of share of results of associates	**33,415**	26,112
Tax effect of share of results of joint ventures	**(13,875)**	(3,799)
Effect of prior year's tax losses and deductible temporary differences utilized during the year	**2,830**	2,335
Effect of tax losses and deductible temporary difference not recognized	**(56,164)**	(72,925)
Effect of write-down of deferred tax assets Recognized in previous years	**(45,269)**	(351,403)
Under-provision in prior years	**(2,092)**	(9,829)
Income tax expense for the year	**(136,700)**	(343,424)

8. DIVIDENDS

	2014	2013
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, nil for year 2014 (2013: HK$0.0232, equivalent to approximately RMB0.0187 per share)	**–**	130,693
Final dividend proposed after the end of the reporting period of HK$0.0104, equivalent to RMB0.0082 per share (2013: Nil)	**57,633**	–

9. EARNINGS/(LOSSES) PER SHARE

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

	2014	2013
	RMB'000	*RMB'000*
Earnings/(Losses)		
Earnings/(Losses) for the purpose of basic/diluted earnings/(losses) per share	**229,339**	(476,340)

	2014	2013
	'000 shares	*'000 shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic/diluted earnings/(losses) per share	**7,024,456**	7,024,456

10. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Fertilizer merchandise and finished goods	**5,328,507**	3,816,809
Raw material	**514,373**	457,687
Work in progress	**45,389**	67,816
Consumables	**59,996**	50,725
	5,948,265	4,393,037

11. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**208,081**	237,129
Less: allowance for doubtful debts	**(11,527)**	(12,515)
	196,554	224,614
Bill receivables	**1,079,776**	1,025,630
Total trade and bill receivables	**1,276,330**	1,250,244

Aging analysis of trade and bills 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 presented based on the invoice date is as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 3 months	**284,760**	507,158
More than 3 months but within 6 months	**951,402**	669,681
More than 6 months but within 12 months	**31,069**	10,034
Over 12 months	**9,099**	63,371
	1,276,330	1,250,244

12. TRADE AND BILLS PAYABLES

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Trade payables	**3,817,175**	2,329,954
Bills payables	**811,658**	288,835
Trade and bills payables	**4,628,833**	2,618,789

As at 31 December 2014, the aging analysis of trade and bills payables presented based on the invoice date is as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Within 3 months	**4,345,265**	2,424,658
More than 3 months but within 6 months	**94,442**	113,202
More than 6 months but within 12 months	**133,071**	32,908
Over 12 months	**56,055**	48,021
	4,628,833	2,618,789

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$0.0104 (equivalent to approximately RMB0.0082) per share for the year ended 31 December 2014 (2013: Nil) to the shareholders, estimated to be approximately HK$73,054,000 (equivalent to approximately RMB57,633,000), and the retention of the remaining profit in reserves.

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. Lu Xin and Mr. Ko Ming Tung, Edward 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 2014.

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 2014.

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 2014 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, 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, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting. During the year and up to the date of this announcement, 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 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 15 May 2014 (the "2014 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 2014 AGM, the Chairman of the Board authorized and the Directors attended the meeting elected Mr. Wang Hong Jun, an Executive Director and the 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 2014 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 2014 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, Mr. Lu Xin 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, 26 March 2015

* *For identification purposes only*