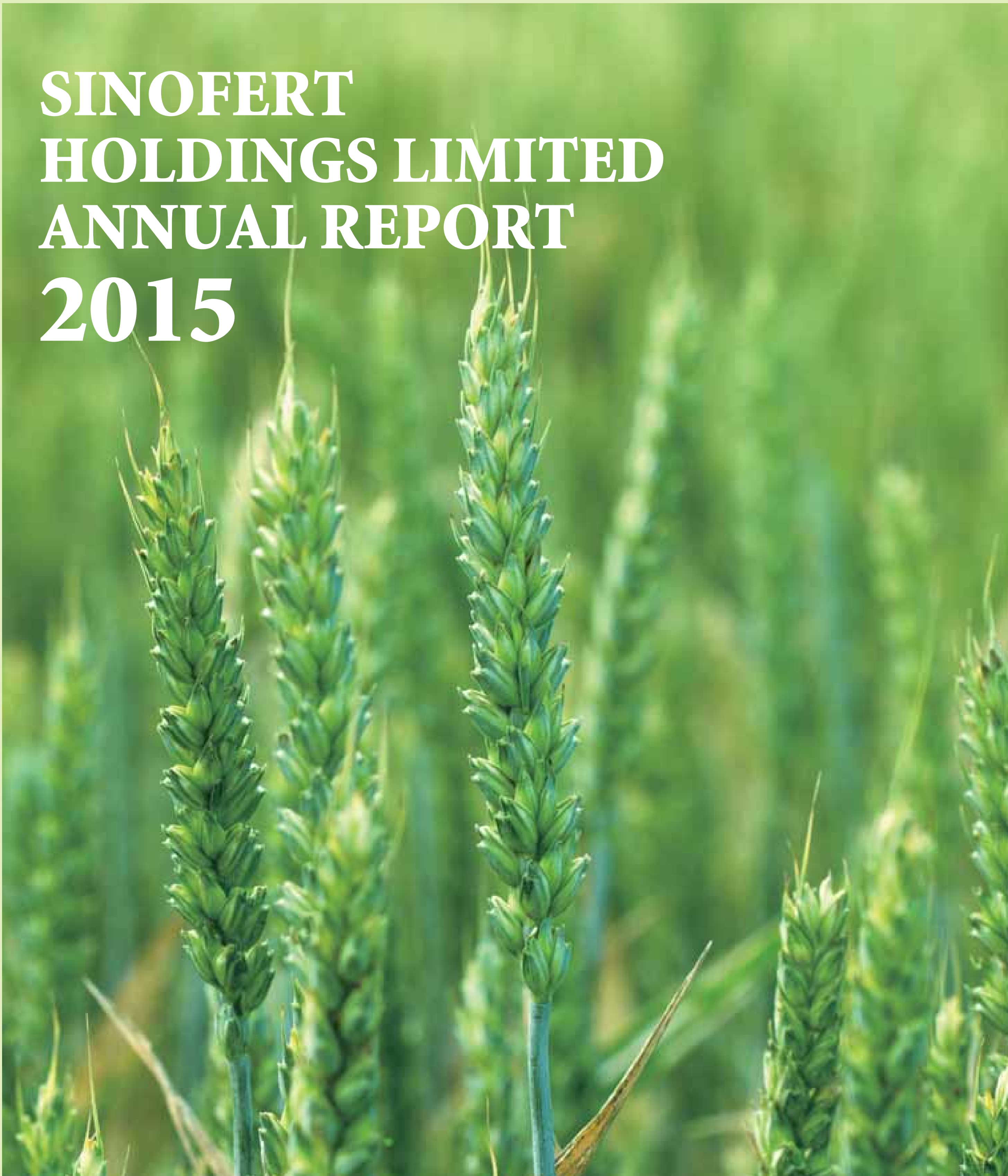
中化化肥控股有限公司
SINOFERT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability) Stock Code: 297

NURTURING
China's Agriculture Sector

Annual Report 2015

SINOFERT HOLDINGS LIMITED ANNUAL REPORT 2015



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Company Profile

Sinofert Holdings Limited (the "Company") successfully completed the acquisition of China Fertilizer (Holdings) Company Limited and its subsidiaries in July 2005, and became a listed company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock code: 297). It is now a comprehensive fertilizer enterprise centering on distribution services and vertically integrating production and network distribution.

Major businesses of the Company and its subsidiaries (the "Group") include the production, import and export, distribution and retail of fertilizer raw materials and finished products, provision of technical research and development and services relating to the fertilizer business and products, exploration and exploitation of phosphate mine, and production of monocalcium/monodicalcium phosphate.

Benchmarked by the turnover of 2015, the Group is:

- the largest fertilizer distribution service provider in China;
- the largest supplier of imported fertilizers in China;
- one of the largest fertilizer manufacturers in China.

The Group's competitive strengths are mainly reflected in:

- its business model of centering on distribution services and integrating production and distribution;
- the largest self-owned and self-run distribution network of agricultural inputs in China;
- its abilities to produce and distribute the most complete varieties of fertilizer products, including nitrogen, phosphate, potash, compound fertilizers and new fertilizers and so on;
- its strategic alliances with major international suppliers for the exclusive distribution of their products in China;
- its comprehensive agrichemical service system directly reaching the farmers;
- one of the largest phosphate resource owners in China and one of the largest feedstuff calcium manufacturers in Asia.

The Group strives to become a global leading provider of agricultural inputs and agrichemical services. The Group constantly aspires to achieve sustainable, stable and rapid growth, to deliver value and returns to the shareholders, and to be committed to social responsibilities.

The ultimate controlling shareholder of the Company is Sinochem Group, which is one of China's earliest qualifiers of Fortune Global 500, and qualified for the 25th time by ranking the 105th in 2015. The second largest shareholder of the Company is Potash Corporation of Saskatchewan Inc., which is the largest potash producer in the world.

COMPANY PROFILE AND CORPORATE INFORMATION

Corporate Information

Board of Directors

Non-Executive Director
Mr. NING Gao Ning *(Chairman)*
(appointed on 8 March 2016)

Executive Directors
Mr. WANG Hong Jun *(Chief Executive Officer)*
Mr. Harry YANG

Non-Executive Directors
Mr. YANG Lin
Dr. Stephen Francis DOWDLE
Ms. XIANG Dan Dan

Independent Non-Executive Directors
Mr. KO Ming Tung, Edward
Mr. LU Xin (appointed on 26 February 2015)
Mr. TSE Hau Yin, Aloysius

Members of Committees

Audit Committee
Mr. TSE Hau Yin, Aloysius *(Chairman)*
Mr. KO Ming Tung, Edward
Mr. LU Xin (appointed on 26 February 2015)

Remuneration Committee
Mr. KO Ming Tung, Edward *(Chairman)*
(appointed as the Chairman on 26 February 2015)
Dr. Stephen Francis DOWDLE
Mr. LU Xin (appointed on 26 February 2015)
Mr. TSE Hau Yin, Aloysius
Mr. Harry YANG

Nomination Committee
Mr. KO Ming Tung, Edward *(Chairman)*
Dr. Stephen Francis DOWDLE
Mr. LU Xin (appointed on 26 February 2015)
Mr. TSE Hau Yin, Aloysius
Mr. Harry YANG

Corporate Governance Committee
Mr. WANG Hong Jun *(Chairman)*
Mr. Harry YANG
Ms. CHEUNG Kar Mun, Cindy
Ms. DONG Jiao Jiao

Chief Financial Officer

Mr. GAO Jian

Qualified Accountant

Ms. CHEUNG Kar Mun, Cindy

Company Secretary

Ms. CHEUNG Kar Mun, Cindy

Auditors

KPMG

Legal Adviser

Latham & Watkins LLP

Principal Bankers

Bank of China
China Construction Bank
Industrial and Commercial Bank of China
Agricultural Bank of China
Bank of Tokyo-Mitsubishi
Rabobank International

COMPANY PROFILE AND CORPORATE INFORMATION

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business

Units 4601-4610, 46th Floor
Office Tower, Convention Plaza
1 Harbour Road
Wanchai, Hong Kong

Share Registrars and Transfer Offices

Bermuda (Principal office)
Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Hong Kong (Branch)
Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Company Website

www.sinofert.com

Share Listing

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
Stock Code: 297

Investor Relations

Hong Kong

Telephone	:	(852) 3656 1588
Fax	:	(852) 2850 7229
Address	:	Units 4601-4610, 46th Floor Office Tower, Convention Plaza 1 Harbour Road Wanchai, Hong Kong

Beijing

Telephone	:	(10) 5956 8227
Fax	:	(10) 5956 9627
Address	:	Level 10, Central Tower Chemsunny World Trade Centre 28 Fuxingmen Nei Road Beijing 100031, PRC

Financial Highlights

(RMB'000 except for sales volume and basic earnings per share)

	2015	2014
Sales volume *(in 10,000 tons)*	**1,304**	1,463
Turnover	**26,121,488**	28,311,086
Gross profit	**1,669,088**	1,418,101
Profit before taxation	**350,149**	272,122
Profit attributable to owners of the Company	**220,855**	229,339
Basic earnings per share *(RMB)*	**0.0314**	0.0326
Return on equity *(Note 1)*	**1.70%**	1.72%
Debt to equity ratio *(Note 2)*	**47.98%**	20.39%

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

Note 2: Calculated on the basis of total 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).

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Nurturing CHINA'S Agriculture Sector

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 2015 to all the shareholders.

In 2015, the world economy remained sluggish, the Chinese economy was obviously sliding downwards, the oversupply situation and fierce competition in the domestic fertilizer industry remained the same and the value-added tax on fertilizer was reintroduced starting from September, thus the profit margin in the fertilizer industry being largely squeezed; the exchange rate of RMB to US dollars experienced large fluctuations and the RMB was suffered from substantial depreciation. 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 achieved a relatively good result. Profit attributable to owners of the Company amounted to RMB221million, with basic earnings per share of RMB0.0314. The cost to income ratio, cash flow from operating activities, current asset turnover, capital structure and other operational indicators were all in good condition and the Company was rated BBB+ by Fitch Ratings in March 2015. 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 of Directors (the "Board") consistently aimed to maximize the shareholders' value, continuously improved corporate governance and optimized the Company's management system. 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 2015 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. 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.

2016 is the first year of the 13th Five-Year Plan Period (2016-2020) and the most crucial year to further promote structural reform. The reform of the supply front is a major deployment made on the basis of the actual conditions after the development of China's economy entered the new normal. Excess production capacity will be reduced and zombie enterprises will be disposed. At the same time, the Chinese government attaches high importance to agricultural development. The No. 1 Document issued by the Central Committee of the Communist Party of China and the State Council on 27 January 2016 highlighted that the development of modern agriculture should be quickened with a new concept and the focus should be the reform of the supply front of agriculture, which will bring new opportunities to the Group in respect of transformation and upgrading as well as innovative development.

The Group will stick to the principle of "active, safe, sustained and sound" development, centre on transformation and upgrading, take lean management and reform and innovation as the foundation, take root among 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, enhance the service management for procurement, products, channels, customers, brands and agriculture, accelerate the marketing service transformation in distribution networks and promote the transformation and upgrading of distribution networks; improve the basic management level of production enterprises, fully deepen and implement the economic responsibility system, enhance the basic-level construction and basic management as well as the basic quality and basic skills of the personnel; 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 further improve the Company's profitability; strengthen risk control and ensure operational safety; speed up the adjustment of industrial layout, tap the potential and improve the efficiency of the existing resources and increase new merger and acquisition projects; and quicken and promote the reform on personnel mechanism, remuneration system and operation mechanism.

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.

Ning Gao Ning
Chairman of the Board

Hong Kong, 31 March 2016

MANAGEMENT REVIEW AND PROSPECT

MANAGEMENT REVIEW AND PROSPECT

Business Environment

In 2015, the world economy remained sluggish and the growth of emerging economies as represented by China continued to slow down. In the near future, maintaining growth, changing patterns, adjusting structure and promoting innovation are the main tasks of China's economy.

In the year 2015, in the context of agricultural globalization, China's structural problems related to agriculture became increasingly prominent, grain prices were higher in China than the world market, the import of the three staple food grains surged and a new phenomenon of growth in production, inventory and import emerged. The Chinese government further liberalized the grain purchasing price and prices of agricultural products will be fully market-oriented. The Chinese government will increase the comprehensive subsidies to agricultural inputs so as to improve the income of farmers. The focus of the food security strategy will transfer from the yield to protecting and improving grain productivity and from encouraging production to restraining supply. Changes in the agricultural industry will have a major impact on the fertilizer industry which is facing the huge pressure of demand reduction and industrial upgrading.

During the year of 2015, the global fertilizer production capacity continued to be released, the demand grew slowly, and the production capacity was still excessive. Faced with a severe situation, domestic enterprises accelerated their transformation and upgrading, resource-based enterprises and manufacturing enterprises began to build channels by themselves, enterprises focusing on marketing and providing services extended to both upstream resources and downstream services, and research and development of science and technology became the core competitiveness of enterprises. Suffering from double pressures from both upstream and downstream, the Company was faced with greater difficulties in market expansion.

With a continuous global economic depression, in order to effectively meet the severe market challenges and ensure the Company's leading position in the fertilizer industry, under the leadership of the Board, the Group continued to deepen strategic transformation and was committed to becoming an agricultural service enterprise providing high-quality fertilizer products and crop nutrition solutions with the general philosophy of "taking root in the transformation and upgrading of modern agriculture".

Financial Highlights

For the year ended December 31 2015, the Group's revenue amounted to RMB26,121 million, decreased by 7.74% year on year. Profit attributable to owners of the Company amounted to RMB221 million, decreased by 3.49% year on year.

Resource Guarantee

In 2015, Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong"), a subsidiary of the Group brought into full play the advantages of high-quality phosphate rock resources and optimized the phosphate mine development plan. Sinochem Yunlong explored 442,000 tons of phosphate rock in 2015. For mine construction, Sinochem Yunlong set up the Mozushao capacity expansion project, ensuring the sustainable utilization of resources and the prospecting work of Dawan mine was basically completed. The value contribution of phosphate rock resources was continuously increased, laying a good foundation for the sustainable development of the Group's phosphate fertilizer and phosphoric chemical industries.

The global economic growth slowed down and international commodity prices continued to decline, which provided a good opportunity for the Company's resource guarantee. In 2015, the Group acquired 15.01% equity interest in Qinghai Salt Lake Industry Co., Ltd. ("Qinghai Salt Lake") from Sinochem Corporation, a controlling shareholder of the Group. At the end of 2015, Qinghai Salt Lake issued new shares to certain minority shareholders and the Group's interest in Qinghai Salt Lake was diluted to approximately 20.52%. In addition, the Group also paid close attention to investment and acquisition opportunities in fertilizer-related resources and new type fertilizers.

Manufacturing

In 2015, the total annual fertilizer production capacity of the Group's subsidiaries, associates and joint ventures exceeded 15 million tons. By continuing to promote basic work, carrying out cost management, lean management, promoting technical reform and scientific innovation, implementing cost reduction and efficiency increase, further tapping the potential of the existing devices, the production and sales of subsidiaries increased, and business efficiency and production operation level was further enhanced.

Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd. ("Sinochem Fuling"), a subsidiary of the Group, produced 1.33 million tons of phosphate, compound fertilizers and other products in 2015. Sinochem Fuling optimized raw material allocation, paid close attention to process control, promoted technological progress, integrated the functions of various departments, improved operation efficiency, seized the key markets, continued with the transformation of scientific and technological achievements, carried out in-depth energy efficiency evaluation of enterprises, adjusted product structure, strengthened management of the phosphogypsum stack, extended the life cycle of the stack, actively explored the path of sustainable development, and did researches on industrial upgrading and transformation.

Sinochem Jilin Changshan Chemical Co., Ltd. ("Sinochem Changshan"), a subsidiary of the Group, produced 295,000 tons of urea in 2015. Sinochem Changshan fully utilized its regional advantage, further promoted the compound fertilizer integration, promoted the upgrading of equipment, adjusted product structure, continued to reduce cost and increase efficiency, carried out the construction of information technology and became one of the first 200 enterprises that passed the certification of implementing the standards regarding the integration of information technology and industrialization promoted by the Ministry of Industry and Information Technology. Sinochem Changshan actively coordinated internal and external resources, rapidly promoted reconstruction and extension of existing devices. The urea reconstruction and extension project was coming to an end and the capacity will continue to be released in 2016.

Sinochem Yunlong, a subsidiary of the Group, produced 290,000 tons of Monocalcium (MCP)/Monodicalcium Phosphate (MDCP) in 2015. Sinochem Yunlong adhered to management improvement, optimized the department structure, arranged professional personnel, eliminated backward equipment, analyzed benchmarking advanced enterprises, upgraded and transformed devices, strengthened the data analysis, promoted sea-railway combined transportation, optimized logistics channels, continued to reduce cost and increase efficiency, paid high attention to production safety, steadily improved safety management, carried out information technology construction and strengthened quality control so that the product quality reached the international leading level.

Marketing Services

Taking into consideration the characteristics of China's agriculture and through system reform and mode innovation, the Group continuously consolidated the operation foundation. The product sales for the year 2015 reached 13.04 million tons, which further consolidated the Group's status as the largest fertilizer distributor and service provider in China.

Potash Operations: Sales volume of potash fertilizer amounted to 2.74 million tons in 2015.The Group consolidated its procurement capability from advantageous sources, and signed a number of strategic cooperation agreements; deeply promoted the channel marketing of potash for agriculture, strengthened brand promotion, tapped the potential demand of end users; established a core customer system for industrial potash, strengthened the core customer stickiness, enhanced the market competitiveness of industrial potash; enhanced its strategic cooperation with Qinghai Salt Lake, consolidated the sales of Qinghai Salt Lake products in regions where the Group was the agency, and enhanced the influence of the domestic potash in the above regions; strengthened innovation transformation, continued to build new core competitive advantage and consolidated the Company's leading position in the potash market.

Nitrogen Operations: Sales volume of nitrogen fertilizer amounted to 4.51 million tons in 2015. The overall scale of nitrogen operation was maintained and the Group was among the top in terms of market share in China. The Group continued to strengthen the supplier system construction and consolidated cooperation with core suppliers, improved supply resources guarantee capacity, strengthened the foundation of cooperation, controlled open-supply resource, accelerated direct sales, controlled risk and achieved stable profit when the market continued to be sluggish; improved the contribution of sales volume and profit of industrial trading business, and achieved a record high profit in ammonium chloride; and sped up new products development and cultivation and further improved the contribution of sales volume and profit of seaweed polysaccharides.

Phosphate Operations: Sales volume of phosphate fertilizer amounted to 2.35 million tons in 2015. The Group enhanced and improved the phosphate management level through consolidating traditional businesses and carrying out innovative businesses. In terms of traditional businesses, the Group further tapped the potential demand to maintain a competitive edge and acquired external resources at low cost; in terms of innovative businesses, the Group actively broke the ice, explored new products, new mode and new channels, focused on marketing, kept optimizing trade and resources and persisted in making the phosphate business bigger and stronger.

Compound Fertilizer Operations: Sales volume of compound fertilizers amounted to 2.36 million tons in 2015. The Group continued to promote the integration of compound fertilizers, established the operation and management mechanism of coordination on production and sales, connected the Group's internal production enterprises and channel marketing terminals and improved the operation and management efficiency through precise planning, moving forward the logistics. By enriching the connotation of technology and cultivating the market promotion ability, the Group built the core competitiveness of key products, and the sales for differentiated products such as chelated fertilizer increased significantly, which gradually became a major profit contributor that supports the profitability of the products. The Group took agrochemical services as the starting point, cultivated the comprehensive service capabilities of the new operation entities, gradually formed a "product+service" operational model, improved the customer stickiness and increased the added value of the products.

Monocalcium (MCP)/Monodicalcium phosphate (MDCP) operations: Sinochem Yunlong strengthened the production and sales coordination, explored domestic and international markets, optimized the structure of logistics, reduced the transportation cost, enhanced the competitiveness of its products and better met the demand of customers both at home and abroad. The sales volume continued to improve and 300,000 tons of MCP/MDCP was sold in 2015. At the same time, Sinochem Yunlong strengthened its own brand building and obtained 4 private brand trademarks in 2015, which laid the foundation for the systematic development of products.

In 2015, 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 sales personnel and built a professional marketing team that knew well about both technology and marketing. Besides, the Group continued to maintain its strategic cooperation with the Planting Industry Management Department, Ministry of Agriculture, jointly carried out scientific fertilization and explored innovative operation models that took root among 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 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 and adopted corresponding measures for major risks. In 2015, through strengthening source treatment, implementing differentiated management and control and intensifying support and guarantee, the Group further promoted the building of the internal control system, consolidated the basic work and highlighted the management and control over key branches, key businesses, key processes and key risk points. 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 its strategic transformation and ensure shareholders' interests, asset 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 2015, the Group focused on the implementation of scientific fertilization, 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, the building of field schools for farmers and the cultivation of new professional farmers by cooperating with the Ministry of Agriculture and local agricultural departments. By the end of 2015, 8,911 activities were carried out and 1,977 demonstration fields were built, which benefited over 780,000 farmers.

In 2015, the Planting Industry Management Department, Ministry of Agriculture carried out in-depth cooperation with Sinochem Fertilizer Company Ltd. ("Sinochem Fertilizer"), a subsidiary of the Group, on innovative service mechanism and new mode exploration of scientific fertilization, realized application volume reduction and efficiency improvement of fertilizers and carried out pilot projects for application volume reduction and efficiency improvement of fertilizers in the Northeast, Northwest, North China, South China and Southwest. According to the demand of new operation entities for integrated services, together with local technology promotion departments, the Group demonstrated advanced fertilization technology and production mode, led farmers to use new technology and new products and carried out promotion and demonstration across the regions.

To further explore the new mode of developing new professional farmers cultivation jointly by the government, enterprises, colleges and universities, Sinochem Fertilizer, a subsidiary of the Group, cooperated with the Department of Science & Education, Ministry of Agriculture as well as the Central Agricultural Broadcasting and Television School to promote the "new professional farmers cultivation", "young farmers plan" and "entrepreneurial base construction for new professional farmers" in 2015. The campaign to promote agronomic service and new professional farmers cultivation launched by the Department of Science & Education, Ministry of Agriculture and Sinochem Fertilizer was kicked off in Linyi City, Shandong Province. At the launching ceremony, the entrepreneurial base for new professional farmers was awarded by the Department of Science & Education, Ministry of Agriculture and Sinochem Fertilizer, which symbolized that the first new professional farmer entrepreneurship base was located in Linyi.

Sinochem Fertilizer, a subsidiary of the Group, cooperated with the Department of Science & Education, Ministry of Agriculture as well as the Central Agricultural Broadcasting and Television School and provincial agricultural departments and jointly launched 3 Workshops for the Capability Enhancement of Grain King in its branches in 12 provinces in Northeast China, North China, Central China and East China. 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 launched by governmental department, enterprise and university for new production and operation oriented professional farmers in various provinces and districts. Most of the participants were big grain production households with a planting area of over 1,000 mu. The participants said that the workshops helped them better understand the favorable policies on grain production adopted by the Chinese Communist Party and the government, further enhanced the production and operation concept and grain production capacity, broadened their horizon and boosted their confidence to become new professional farmers and new operation entities.

In the future, the Group will continue to focus on the development of modern agriculture and the scientific and technological demand of farmers, with the goal of fertilizer and pesticide application reduction, deepen the cooperation with the Chinese government, scientific institutions, colleges and universities, centre on key projects such as scientific fertilization, integration of water and fertilizer, comprehensive solutions for planting, training and education and combination of agricultural machinery and agronomy, 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 Chinese farmers.

The Group continued to strengthen HSE management, combined it with production operation and sustainable development, built a professional HSE team, strengthened the HSE system building and training in the headquarters and relevant key subsidiaries, 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 2015. In particular, the emission of SO_2 was down by 5.32%, COD by 9.37%, NH_3-N by 10.45% and NOx by 6.03%.

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 2016 continues to focus on agriculture and highlights that with the concept of innovative, coordinated, green, open and shared development, agricultural modernization should be further promoted, the development advantage of agriculture and rural areas enriched, the driving force for innovation enhanced, structural reform on the supply front of agriculture promoted, changes to agricultural development mode quickened, steady development for agriculture and continuous income increase for farmers maintained, a road of agricultural modernization featuring efficient output, safe products, resource conservation and environmental friendliness embarked on and the mutual development of new urbanization and new rural area building promoted so that farmers can equally participate in the modernization process and share the results of modernization.

China’s modern agriculture is still in the early stages of development. Although the fertilizer industry faces fierce competition, there is great room for improvement in terms of fertilizer utilization efficiency, new type of fertilizer application and precise fertilization methods. As China’s largest fertilizer enterprise, the Group has been working hard for many years and shouldering the responsibility to promote the development of China’s agriculture and agricultural input industry against the background of intense market competition today. The Group will revitalize the existing production capacity, carry out integrated operation of production and marketing, realize optimal internal operating efficiency, establish an agricultural service pattern for new type of fertilizers and optimize the management pattern for the supply chain. The Group will also further step up its strategic partnership with Qinghai Salt Lake and continue to pay attention to domestic and overseas high-quality phosphate and potash resources acquisition opportunities under the “One Belt and One Road” policy and further create value for the shareholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended 31 December 2015, the Group actively took measures, seized market opportunities, promoted cost reduction and efficiency improvement and realized profit attributable to owners of the Company of RMB221 million, decreased by RMB8 million or 3.49% compared to RMB229 million in 2014.

I. OPERATION SCALE

1. Sales Volume

For the year ended 31 December 2015, sales volume of the Group was 13.04 million tons, decreased by 10.87% over 2014. In 2015, the fertilizer market first recovered and then fell down and the oversupply situation in the fertilizer market was still severe. Except for compound fertilizer, sales volume of all major fertilizers declined compared to the previous year. The sales of domestic fertilizers amounted to 8.26 million tons, down by 17.81% year on year. While the relationship between the Group and overseas strategic partners was strengthened, sales volume of imported fertilizers amounted to 3.70 million tons, which increased slightly compared to 2014.

In terms of product mix, sales volume of compound fertilizer of the Group increased by 13.46% year on year while sales volume of potash, nitrogen and phosphate declined by 5.84%, 14.91% and 24.44% respectively due to the fluctuations of the fertilizer market and risk prevention considerations. Faced with the severe market situation, the Group still maintained a relatively high market share through strengthening strategic partnership with core domestic and overseas suppliers, and taking full advantage of the high-quality, ample and competitive supply.

2. Turnover

For the year ended 31 December 2015, the turnover of the Group amounted to RMB26,121 million, decreased by RMB2,190 million or 7.74% year on year. The fall range of the turnover was lower than that of sales volume (10.87%), which was mainly attributable to the fact that the Group seized market opportunities and the average selling price increased by 3.52% year on year.

Table 1:

	For the year ended 31 December			
	2015		2014	
	Turnover RMB'000	**As percentage of total turnover**	Turnover RMB'000	As percentage of total turnover
Potash fertilizers	**5,846,791**	**22.38%**	6,242,557	22.05%
Nitrogen fertilizers	**6,481,523**	**24.81%**	7,753,464	27.39%
Compound fertilizers	**6,485,623**	**24.83%**	5,441,242	19.22%
Phosphate fertilizers	**5,678,588**	**21.74%**	6,941,815	24.52%
MCP/MDCP	**776,999**	**2.97%**	721,969	2.55%
Others	**851,964**	**3.27%**	1,210,039	4.27%
Total	**26,121,488**	**100.00%**	28,311,086	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 year ended 31 December 2015 and 2014:

Table 2:

2015

	Marketing RMB'000	**Production RMB'000**	**Eliminations RMB'000**	**Total RMB'000**
Turnover				
External sales	**24,338,972**	**1,782,516**	**–**	**26,121,488**
Inter-segment sales	**1,321,926**	**3,618,542**	**(4,940,468)**	**–**
Total	**25,660,898**	**5,401,058**	**(4,940,468)**	**26,121,488**
Segment gross profit	**1,096,495**	**572,593**	**–**	**1,669,088**
Segment profit/(loss)	**534,937**	**(2,047)**	**–**	**532,890**

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

Segment profit/(loss) represents the profit/(loss) earned by each segment without taking into account of unallocated expenses and income, share of results of associates and 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 year ended 31 December 2015, the external sales turnover decreased by RMB2,190 million over 2014, which was attributable to the sales volume decrease due to oversupply in domestic fertilizer market.

For the year ended 31 December 2015, the segment profit of the Group was RMB533 million, among which, Marketing Segment successfully realized a profit of RMB535 million, increased by RMB157 million over 2014 through seizing opportunities of the rebounding market in the middle of the year. In addition, through continuous implementation of technological innovation, cost reduction and efficiency improvement, the manufacturing companies realized high and stable yields, and the loss from Production Segment amounting to RMB2 million, decreased by RMB212 million year on year.

II. PROFIT

1. Gross profit

For the year ended 31 December 2015, gross profit of the Group amounted to RMB1,669 million, increased by RMB251 million over 2014.

The Group undertook different strategies for different products. In terms of potash, through strengthening strategic partnership with core domestic and overseas suppliers, securing constant and steady supply of competitive products, steadily strengthening the channel marketing of potash for agriculture, the gross profit increased by 8% year on year; in terms of phosphate, the gross profit increased by 59% year on year through grasping the market opportunity, strengthening the management of suppliers and production-marketing docking, consolidating industrial and agricultural customer relations, and improving customer loyalty; in terms of compound fertilizer, the gross profit increased by 51% year on year by relying on the production supply of upstream subsidiaries, associates and joint ventures and the core supplier system construction, using the downstream distribution network to expand and optimize the product structure, taking advantage of the integration of production, supply and marketing; in terms of nitrogen, the Group strictly controlled risks and moderately operated the business, but the gross profit still declined by 37% compared to 2014 as the selling price of nitrogen stayed low in 2015.

In summary, in the sluggish fertilizer market, the Group steadily promoted marketing transformation, enhanced internal operating efficiency, optimized the supply chain management, and reinforced the basic management, which led to a steady increase in gross profit over the previous year.

2. Share of results of joint ventures and associates

Share of results of joint ventures: For the year ended 31 December 2015, the share of results of joint ventures of the Group amounted to a profit of RMB49 million, increased by RMB105 million compared to 2014. This was mainly due to the fact that Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. ("Three Circles-Sinochem") realized a profit of RMB25 million, increased by RMB92 million compared to 2014 due to the recovery of the phosphorus chemical industry and the increase of its selling price.

Share of results of associates: For the year ended 31 December 2015, the share of results of associates of the Group amounted to RMB32 million, decreased by RMB102 million over 2014. This was mainly attributable to the decrease of the profit of Qinghai Salt Lake Industry Co., Ltd. ("Qinghai Salt Lake"), a major associate of the Group.

3. Income tax

For the year ended 31 December 2015, income tax expense of the Group was RMB148 million, increased by RMB11 million over 2014. This was mainly attributable to the fact that RMB149 million of deferred tax asset was reversed at expiry from the provision made in the previous year by Sinochem Fertilizer Co., Ltd. ("Sinochem Fertilizer"), a subsidiary of the Group, and RMB126 million of deferred income tax was reversed in 2014.

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 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. Profit attributable to owners of the Company

For the year ended 31 December 2015, profit attributable to owners of the Company was RMB221 million which slightly decreased compared to 2014. The Group actively took various operational measures, kept promoting the guideline of cost reduction and efficiency improvement, seized market opportunities, deepened the innovation and transformation, and continued to enhance the profitability of the Group, but due to the reintroduction of value-added tax in the 2nd half of 2015 and the profit decrease of Qinghai Salt Lake, profit attributable to owners of the Company decreased.

For the year ended 31 December 2015, the net profit margin was 0.85%, which is calculated based on profit attributable to owners of the Company divided by turnover.

III. EXPENDITURES

For the year ended 31 December 2015, three expenses amounted to RMB1,652 million, increased by RMB68 million or 4.29% from RMB1,584 million over 2014.

Selling and distribution expenses: For the year ended 31 December 2015, selling and distribution expenses amounted to RMB773 million, decreased by RMB68 million or 8.09% from RMB841 million over 2014. The decrease was mainly attributable to the fact that the Group kept promoting the guideline of cost reduction and efficiency improvement, and improved the utilization of warehouse which resulted in reduction of logistics cost including warehousing and storage charges year on year.

Administrative expenses: For the year ended 31 December 2015, administrative expenses amounted to RMB605 million, increased by 0.83% compared to RMB600 million for the year ended 31 December 2014.

Finance costs: For the year ended 31 December 2015, finance costs amounted to RMB274 million, increased by RMB131 million or 91.61% from RMB143 million over 2014. This was mainly because: the average scale of the Group's borrowings increased in 2015 and the Group changed from overseas financing in US dollars to domestic financing in RMB in order to avoid the risk of exchange rate fluctuations, which led to an increase of finance costs.

IV. OTHER INCOME AND GAINS

For the year ended 31 December 2015, the Group's other income and gains amounted to RMB358 million, decreased by RMB105 million or 22.68% from RMB463 million over 2014. This was mainly attributable to the fact that Sinochem Fertilizer, a subsidiary of the Group, subscribed for the enlarged registered capital of Guizhou Kailin Group Co., Ltd. ("Kailin Group") and as a consideration of which, Sinochem Fertilizer transferred its 13.41% equity interest in Guiyang Sinochem Kailin Fertilizer Co., Ltd. to Kailin Group. This equity transfer was considered as a disposal of the available-for-sale investment, and as a result, other income and gains in 2014 increased by RMB107 million.

V. INVENTORY

The inventory balance of the Group as at 31 December 2015 amounted to RMB6,312 million, increased by RMB364 million or 6.12% from RMB5,948 million as at 31 December 2014. Due to the increase of inventory scale, inventory turnover days increased from 69 days in 2014 to 90 days[(Note)] in 2015.

Note: Calculated on the basis of average inventory balance as at the end of the reporting period divided by cost of goods sold, and multiplied by 360 days.

VI. TRADE AND BILLS RECEIVABLES

The balance of the Group's trade and bills receivables as at 31 December 2015 amounted to RMB348 million, decreased by RMB928 million or 72.73% from RMB1,276 million as at 31 December 2014, which was mainly due to that the Group strictly controlled the risk and scale of credit, thus leading to the decrease in the balance of trade and bills receivables as at 31 December 2015 over that as at 31 December 2014.

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 was 11 days[(Note)] in 2015, 4 days faster than 15 days in 2014.

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

VII. INTERESTS IN JOINT VENTURES

As at 31 December 2015, the balance of the Group's interests in joint ventures amounted to RMB581 million, increased by RMB41 million or 7.59% from RMB540 million as at 31 December 2014, which was mainly due to that the invested joint ventures realized profit in 2015 through seizing the opportunities of rebounding of fertilizer market in the middle of the year. Among them, the share of profit attributable to Three-Circles Sinochem was RMB25 million.

VIII. INTERESTS IN ASSOCIATES

The balance of the Group's interests in associates as at 31 December 2015 amounted to RMB11,574 million, increased by RMB3,215 million or 38.46% from RMB8,359 million as at 31 December 2014, which was mainly due to that:

1. The Group acquired 15.01% of the shares in Qinghai Salt Lake held by Sinochem Corporation, leading to an increase of RMB3,903 million in interests in associates;

2. In December 2015, Qinghai Salt Lake issued new shares to certain minority shareholders (the "Offering"), since the Group did not participate in the Offering, the Group's interest in Qinghai Salt Lake was diluted to 20.52%, leading to a decrease of RMB695 million in interests in associates.

IX. AVAILABLE-FOR-SALE INVESTMENTS

As at 31 December 2015, the balance of the Group's available-for-sale investments amounted to RMB519 million, increased by RMB45 million or 9.49% from RMB474 million as at 31 December 2014. The share price of China XLX Fertiliser Limited held by the Group increased as at 31 December 2015, which led to an increase of RMB45 million in available-for-sale investments.

X. INTEREST-BEARING BORROWINGS

As at 31 December 2015, the Group's liabilities with interests amounted to RMB6,274 million, increased by RMB3,401 million or 118.38% from RMB2,873 million as at 31 December 2014, which was mainly due to the increase of borrowings to supplement the working capital of the Group. In particular,

(1) Borrowings

As at 31 December 2015, the balance of the Group's borrowings amounted to RMB4,274 million, increased by RMB1,401 million or 48.76% from RMB2,873 million as at 31 December 2014.

(2) Short-Term Commercial Paper

The Group issued a one-year short-term commercial paper of RMB2 billion with an interest rate of 3.40% per annum on 19 October 2015.

XI. TRADE AND BILLS PAYABLES

As at 31 December 2015, the balance of the Group's trade and bills payables amounted to RMB5,997 million, increased by RMB1,368 million or 29.55% from RMB4,629 million as at 31 December 2014. The increase of trade and bills payables was mainly attributable to the fact that the Group upsized the inventory scale in 2015.

XII. OTHER FINANCIAL INDICATORS

Basic earnings per share for the year ended 31 December 2015 amounted to RMB0.0314, and return on equity (ROE) for the year ended 31 December 2015 was 1.70%, both lower than those in 2014, which was mainly due to the decline in profit attributable to owners of the Company in 2015.

Table 3:

	2015	2014
Profitability		
Earnings per share (RMB) *(Note 1)*	**0.0314**	0.0326
ROE *(Note 2)*	**1.70%**	1.72%

Note 1: Calculated based on profit 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 attributable to owners of the Company for the reporting period divided by equity attributable to owners of the Company as at the end of the reporting period.

As at 31 December 2015, the Group's current ratio was 0.79, and the debt-to-equity ratio was 47.98%. Despite of the lower current ratio, the Group enjoyed relatively high banking facilities, was rated BBB+ by Fitch Ratings and had diversified fund raising. The Group maintained a stable financial structure through actively taking operating measures in the sluggish fertilizer market.

Table 4:

	2015	2014
Liquidity and Capital adequacy		
Current ratio *(Note 1)*	**0.79**	1.12
Debt-to-Equity ratio *(Note 2)*	**47.98%**	20.39%

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).

XIII. LIQUIDITY AND FINANCIAL RESOURCES

The Group's principal sources of financing included cash, bank loans 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 2015, cash and cash equivalents of the Group amounted to RMB640 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	
	2015	2014
	RMB'000	RMB'000
Bank loans, secured	**–**	144,411
Bank loans, unsecured	**673,430**	40,000
Short-term commercial paper	**2,000,000**	–
Borrowings from Sinochem Group	**200,000**	200,000
Borrowings from Sinochem Finance Co., Ltd.	**60,000**	–
Borrowings from Sinochem Hong Kong (Group) Co., Ltd.	**850,000**	–
Bonds		
Principal amount	**2,500,000**	2,500,000
Less: unamortized transaction costs	**(9,165)**	(11,515)
Total	**6,274,265**	2,872,896

Table 6:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Carrying amount repayable		
Within one year	**3,583,430**	184,411
More than one year, but within five years	**2,690,835**	2,688,485
Total	**6,274,265**	2,872,896

Table 7:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Fixed-rate borrowings	**5,924,265**	2,872,896
Variable-rate borrowings	**350,000**	–
Total	**6,274,265**	2,872,896

As at 31 December 2015, the Group had banking facilities equal to RMB24,152 million, including US$1,585 million and RMB13,860 million respectively. The unutilized banking facilities amounted to RMB20,169 million including US$1,310 million and RMB11,664 million respectively.

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

XIV. OPERATION AND FINANCIAL RISKS

The Group's major operation risks include: the world economy remained sluggish and was still faced with great uncertainty; due to the oversupply on the domestic fertilizer market, the market price of fertilizer saw some recovery, but was still at a relatively low level; as the preferential rail freight for fertilizer phased out and environmental protection requirements increased, the pressure for industrial restructuring and competition was further increased.

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 deposit; 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. Due to the presence of a certain scale of import and export business of the Group, the exchange rate fluctuations will have an impact on the cost of import and export prices, the management of the Group adopted prudent hedging strategies all the time and continued to monitor and control the above risks so as to mitigate the 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 2015. 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 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.

XV. CONTINGENT LIABILITIES

As at 31 December 2015, the Group had no contingent liabilities.

XVI. CAPITAL COMMITMENT

Table 8:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Contracted but not provided for		
– Property, plant and equipment	**46,017**	266,793
Authorized but not contracted for		
– Property, plant and equipment	**546,315**	609,617
– Investments in an associate and others	**300,000**	4,190,101
Total	**892,332**	5,066,511

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

XVII. MATERIAL INVESTMENTS

On 27 April 2015, Sinochem Fertilizer signed a share transfer agreement with Sinochem Corporation, according to which, Sinochem Fertilizer acquired 238,791,954 issued shares of Qinghai Salt Lake, representing 15.01% of its total issued share capital, at a total consideration of RMB3,903,420,000 (the "Acquisition"). Prior to the Acquisition, Sinochem Fertilizer owned 142,260,369 shares of Qinghai Salt Lake, representing 8.94% of its total issued share capital. After the Acquisition was completed on 9 September 2015, Sinochem Fertilizer held 381,052,323 shares of Qinghai Salt Lake, and became the second largest shareholder of Qinghai Salt Lake. For more details relating to the Acquisition, please refer to the announcements of the Company issued on 9 December 2014, 12 February 2015 and 11 September 2015, and the circular letter published on 27 January 2015.

In December 2015, Qinghai Salt Lake issued new shares to certain minority shareholders and the Group's interest in Qinghai Salt Lake was diluted to 20.52%.

XVIII. HUMAN RESOURCES

As at 31 December 2015, the Group had about 6,752 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. For details of the remuneration policy of the Group, please refer to the "Corporate Governance Report" of this annual report on page 45 to 46.

CHRONICLE OF EVENTS

January 2015

The Group won the 2nd Prize of "Managing the Supply Chain of Push-Pull Integration of Fertilizer Companies" in the "21st National Selection of Innovative Achievements on the Modernization of Business Management"

February 2015

The "Sinochem" brand organic fertilizers produced by Hubei Sinochem Dongfang Fertilizer Company Limited, a subsidiary of the Group, passed the national organic certification.

March 2015

The Group, one of the major negotiating companies of the Chinese buying consortium, reached a consensus with the Belarusian Potash Company on the import agreement of the potash for 2015.

Fitch Ratings, an international rating agency, rated the Group a BBB+.

April 2015

Jointly with the Department of Science, Technology and Education, Ministry of Agriculture, the Group launched the program for the cultivation of new professional farmers – "Sinofert Devotion and Rural Dreams" in Linyi, Shandong Province.

May 2015

Belarusian Potash Company and Sinochem Group signed a memorandom of cooperation, which is one of the important achievements of Mr. Xi Jinping, the President of China, after his visit to Belarus and his friendly discussions with Mr. Lukashenko, the Belarusian President.

A delegation headed by Mr. Wang Hongjun, CEO of the Group, attended the 83rd annual conference of IFA in Turkey.

July 2015

The project named "Fertilizer Intelligent Manufacturing and Service Pilot Demonstration" submitted by the Group was selected to be one of the first batch of 46 pilot demonstration projects by Ministry of Industry and Information Technology and it was the only agricultural project being selected.

August 2015

Nong Yi Bao, an application developed by the Group, went officially online in the four pilot provinces including Henan and Guangxi.

September 2015

The Group completed the acquisition of equity interests in Qinghai Salt Lake held by Sinochem Corporation.

Mr. Wang Hongjun, CEO of the Group, and Mr. Terje Bakken, Managing Director & Head of Marketing and Sales Division of EuroChem, signed an agreement, according to which Sinochem Fertilizer has an exclusive right to distribute EuroChem's NPK in China during 2016 and 2017.

October 2015

The Group successfully issued a RMB2 billion one-year short-term commercial paper on the inter-bank market, with an interest rate of 3.4%.

November 2015

"Project on establishing a whole set of equipment to remove coal-fired boiler flue gas SO2 from phosphorus pulp" developed by Sinochem Yunlong, a subsidiary of the Group, was approved to be a key 2015 development plan of innovative products in Yunnan by the Provincial Science and Technology Department.

December 2015

The Group and Shenyang Chemical Research Institute signed the "Agreement on Jointly Establishing Fertilizer R&D Laboratory".

DIRECTORS AND SENIOR MANAGEMENT

Directors

Mr. NING Gao Ning – Chairman of the Board and Non-Executive Director

Mr. NING Gao Ning, aged 57, was appointed as Chairman of the Board and Non-executive Director of the Company on 8 March 2016. Mr. Ning holds a bachelor's degree in Economics from Shandong University in China and a master's degree in Business Administration from the University of Pittsburgh in the United States. Mr. Ning currently serves as the chairman of the board of directors of Sinochem Group. Mr. Ning was the chairman of the board of directors of COFCO Corporation ("COFCO") from December 2004 to January 2016, and also served as a director of certain subsidiaries of COFCO. Before joining COFCO, Mr. Ning held various positions such as vice chairman, director and general manager at China Resources (Holdings) Company Limited and some of its subsidiaries. Mr. Ning was a non-executive director of China Agri-Industries Holdings Limited, a non-executive director of China Foods Limited, a non-executive director of CPMC Holdings Limited, and the chairman of the board of directors and a non-executive director of China Mengniu Dairy Company Limited until February 2016, all of which are companies listed on the Stock Exchange of Hong Kong. Mr. Ning was a director of BOC International Holdings Limited, an independent non-executive director of Bank of China (Hong Kong) Limited and an independent non-executive director of BOC Hong Kong (Holdings) Limited (a company listed on the Stock Exchange in Hong Kong) until October 2014. Mr. Ning was also an independent director of Huayuan Property Co., Ltd., a company listed on the Shanghai Stock Exchange, until November 2014. Mr. Ning has rich business management experience and extensive knowledge about economic activities of the capital market.

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Mr. Wang Hong Jun – Executive Director and Chief Executive Officer, and Chairman of Corporate Governance Committee

Mr. Wang Hong Jun, aged 51, joined the Company in March 2014 as an Executive Director and Chief Executive Officer, and is also the Chairman of Corporate Governance Committee of the Company. Mr. Wang graduated from Shenyang Architectural and Civil Engineering University with a bachelor's degree in Lifting & Transport and Mechanical Engineering in 1985, and obtained a master's degree in World Economics from Renmin University of China in 1991 and an EMBA from China Europe International Business School in 2003. Prior to joining Sinochem Group, Mr. Wang once worked for Shenyang Architectural and Civil Engineering University and China Institutes of Contemporary International Relations. In 1995, Mr. Wang joined Sinochem Group and had held various positions including deputy manager of the strategy department, manager of share structure reform committee of corporate development department, deputy general manager and general manager of strategy planning department of Sinochem Group. Starting from April 2012, Mr. Wang held the positions of assistant to the general manager of Sinochem Group and Sinochem Corporation, respectively, and acted as the general manager of Sinochem Agro Co., Ltd.. Mr. Wang was a non-executive director of Franshion Properties (China) Limited, currently known as China Jinmao Holdings Group Limited, a company listed on the Main Board of the Stock Exchange in Hong Kong, from March 2007 to June 2011.

Mr. Harry YANG – Executive Director

Mr. Harry YANG, aged 53, is an Executive Director of the Company, mainly responsible for overseeing the Company's investor relations and legal affairs. He is also a member of the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee of the Company. Mr. Yang graduated from Shandong Normal University in 1983 with a bachelor's degree in English and from the University of International Business and Economics in 1989 with a master's degree in International Business English. Mr. Yang joined Sinochem Group in 1989 and served successively as the general manager of Sinochem (USA) Inc. and Sinochem International London Oil Co., Ltd., and the director, general manager and vice chairman of the board of US Agri-Chemicals Corporation. Between 2002 and 2015, Mr. Yang was the deputy director of fertilizer centre, and was appointed as Deputy General Manager of the Company in March 2006. Mr. Yang had served Sinochem Group for more than twenty years. He possesses years of experiences in international trade and fertilizer business with a deep understanding of the international fertilizer market.

Mr. YANG Lin – Non-executive Director

Mr. YANG Lin, aged 52, joined the Company as a Non-executive Director in August 2010. Mr. Yang graduated from Tianjin University of Commerce with a bachelor's degree in Commercial Enterprise Management. He completed a course of Enterprise Management in University of Stuttgart in Germany from 1990 to 1993. Mr. Yang has over ten years' experience in enterprise fund management. Mr. Yang worked at Siemens AG and later as a product manager at Wella AG during 1993 to 1994. He joined Sinochem Group in 1994 and had held various positions, including assistant to general manager of the planning and financial department, deputy general manager of the finance department, deputy general manager of the investment and development department, general manager of the fund management department, deputy general accountant of Sinochem Group, and deputy chief financial officer of Sinochem Corporation. Mr. Yang is currently the general accountant of Sinochem Group and the chief financial officer of Sinochem Corporation. He also holds directorships and senior management positions with various subsidiaries and/or affiliates of Sinochem Group. Mr. Yang was a supervisor of China State Construction Engrg. Corp. Ltd., a company listed on the Shanghai Stock Exchange (stock code: 601668), during 2007 to 2010. Since October 2009, Mr. Yang has been a non-executive director of Far East Horizon Limited (in which Sinochem Group is its substantial shareholder), whose shares are currently listed on the Main Board of the Stock Exchange in Hong Kong (stock code: 3360). Mr. Yang has been a director of Sinochem International Corporation, a subsidiary of Sinochem Group and listed on the Shanghai Stock Exchange (stock code: 600500) since June 2010. In addition, Mr. Yang has been a non-executive director and a member of the audit committee of China Jinmao Holdings Group Limited (previously known as Franshion Properties (China) Limited), a subsidiary of Sinochem Group and listed on the Main Board of the Stock Exchange in Hong Kong (stock code: 0817), since February 2014.

Dr. Stephen Francis DOWDLE – Non-executive Director

Dr. Stephen Francis DOWDLE, aged 65, joined the Company as a Non-executive Director in July 2005. He is also a member of the Nomination Committee and the Remuneration Committee of the Company. Dr. Dowdle is currently the President of PCS Sales (USA) Inc., a wholly-owned subsidiary of Potash Corporation of Saskatchewan Inc. ("PotashCorp"). He also serves on the board of directors of Canpotex Limited, an export marketing association composed of the three potash producers (including PotashCorp) in Saskatchewan, Canada and International Plant Nutrition Institute ("IPNI"), a global organization with initiatives addressing the world's growing need for food, fuel, fiber, and feed. Dr. Dowdle obtained a bachelor of Arts degree from Brown University and a Ph.D. in Agronomy and Soil Science from the University of Hawaii. While completing his Ph.D., Dr. Dowdle lived in China and carried out advanced field research at Central China Agricultural University in Wuhan, China. Dr. Dowdle has over 29 years experience in the fertilizer business, and has considerable experience in China and Asia, having lived and worked in the region for more than 15 years.

Ms. XIANG Dandan – Non-executive Director

Ms. XIANG Dandan, aged 49, joined the Company as a Non-executive Director in June 2011. Ms. Xiang graduated from Changchun University in Computer Software Engineering in 1987. She completed training courses of Digital System Control in Automobile Research Institute in Changchun, China in 1991 and obtained certificates from Novell Computer Network Engineer Training Center in Wyoming, USA in 1996. Ms. Xiang is currently the Marketing Vice President of Latin America of Canpotex Limited, an export marketing association composed of the three potash producers in Canada. Prior to that, she worked in Potash Corporation of Saskatchewan Inc. since 1999 and held various positions as senior director and director of International Sales Department (Fertilizer and Feed) of PCS Sales (USA), Inc., and the director of International Sales Department (Fertilizer and Feed) of PCS Sales (Canada), Inc.. Ms. Xiang previously worked as a Program Analyst, a supervisor for Computer Networking and Data Communication, and the manager of Market Research Department. Ms. Xiang possesses more than 15 years of experience in fertilizer business with a deep understanding of the international fertilizer market.

Mr. KO Ming Tung, Edward – Independent Non-executive Director and the Chairman of Nomination Committee and Remuneration Committee

Mr. KO Ming Tung, Edward, aged 55, was appointed as an Independent Non-executive Director of the Company in April 2000. He is also the Chairman of the Nomination Committee and the Remuneration Committee and a member of the Audit Committee of the Company. Mr. Ko obtained an external bachelor of Laws degree from the University of London in the United Kingdom in August 1986 and is a member of The Law Society of Hong Kong. Mr. Ko is the principal of Messrs. Edward Ko & Company and has been practising as a solicitor in Hong Kong for more than 24 years.

Other than the directorship in the Company, currently, Mr. Ko is also an independent non-executive director of Wai Chun Group Holdings Limited, EverChina Int'l Holdings Company Limited, and Chia Tai Enterprise International Limited, all of which are companies whose shares are listed on the Main Board of the Stock Exchange in Hong Kong, and is an independent non-executive director of Chinese Energy Holdings Limited, whose shares are listed on the GEM Board of the Stock Exchange in Hong Kong, Mr. Ko was previously a non-executive director of Harmonic Strait Financial Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange in Hong Kong.

Mr. LU Xin – Independent Non-executive Director

Mr. LU Xin, aged 52, was appointed as an Independent Non-executive Director of the Company in February 2015. He is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. Mr. Lu graduated from Dongbei University of Finance and Economics in China in 1987 with a bachelor's degree in Economics, and has been awarded a master of business administration by the University of South Australia in 2006. Mr. Lu Xin worked for the Ministry of Finance of the People's Republic of China from 1987 to 1992 and China Trust and Investment Corporation for Economic Development from 1992 to 1995. Since 1995, Mr. Lu Xin has been successively served as the assistant general manager, deputy general manager and managing director of Golden Sino (Holdings) Limited. From 2001 to 2004, Mr. Lu Xin was the executive director and deputy chairman of the Board and the managing director of the Company (formerly known as Wah Tak Fung Holdings Limited). From 2008 to 2010, Mr. Lu was the independent non-executive director of Sino Resources Group Limited, and currently he is an investment consultant of Wai Chun Group Holdings Limited, both companies are listed on the Main Board of the Stock Exchange in Hong Kong. Mr. Lu is also the chairman of World International Consulting Limited at present. Mr. Lu Xin has over 25 years of experience in finance, investment and corporate management with extensive knowledge about economic activities of Hong Kong and the mainland China.

Mr. TSE Hau Yin, Aloysius – Independent Non-executive Director and the Chairman of Audit Committee

Mr. TSE Hau Yin, Aloysius, aged 68, was appointed as an Independent Non-executive Director of the Company in June 2007. He is also the Chairman of the Audit Committee, and a member of the Nomination Committee and the Remuneration Committee of the Company. Mr. Tse is a graduate of the University of Hong Kong. He is a fellow member of the Institute of Chartered Accountants in England and Wales, and the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Mr. Tse is the past president and a former member of the Audit Committee of the HKICPA. Mr. Tse joined KPMG in 1976, became a partner in 1984 and retired in March 2003. Mr. Tse was a non-executive Chairman of KPMG's operations in the PRC and a member of the KPMG China advisory board from 1997 to 2000. Mr. Tse is also a member of the International Advisory Council of The People's Municipal Government of Wuhan.

Other than the directorship in the Company, currently, Mr. Tse is also an independent non-executive director of CNOOC Limited, China Telecom Corporation Limited, Daohe Global Group Limited (formerly known as Linmark Group Limited), SJM Holdings Limited and China Huarong Asset Management Co., Ltd., all of which are companies whose shares are listed on the Stock Exchange in Hong Kong. In addition to the above, Mr. Tse is currently an independent non-executive director of CCB International (Holdings) Limited, a wholly-owned subsidiary of China Construction Bank Corporation whose shares are listed on the Stock Exchange in Hong Kong and an independent non-executive director of OCBC Wing Hang Bank Limited (formerly known as Wing Hang Bank Limited), which was listed on the Main Board of the Stock Exchange in Hong Kong until October 2014. He was an independent non-executive director of China Construction Bank Corporation, which is listed on the Main Board of the Stock Exchange in Hong Kong, from 2004 to 2010.

Senior Management

Mr. FENG Ming Wei – Deputy General Manager

Mr. FENG Ming Wei, aged 53, is the Deputy General Manager of the Company. Mr. Feng graduated from Beijing University of Iron and Steel Technology specializing in automation in 1987 and acquired a master's degree equivalent to research studies in World Economics from Renmin University of China in July 1998. In 1984, Mr. Feng joined Sinochem Group, in which he had held positions in finance department and Sinochem representative office in Pakistan. He was then promoted as the sales manager in the business department of SC Polymers Inc. and the deputy general manager of Sinochem Plastic Company. Mr. Feng joined Sinochem Fertilizer Company Limited in December 2001, and he had held the positions of deputy general manager of import department, general manager of fertilizer department No. 1, general manager of potash fertilizer department and assistant to general manager of the Company. Mr. Feng was promoted to the present position in May 2007.

Mr. LU Fang Bin – Deputy General Manager

Mr. LU Fang Bin, aged 47, is the Deputy General Manager of the Company. Mr. Lu graduated from Tsinghua University in 1994 with a master degree of Chemical Engineering. Mr. Lu joined Sinochem Group in 1994 and once served as deputy chief of the second section in the first importation office in Sinochem Plastics Co., Ltd., as manager and general manager of the plastic department in Sinochem (USA) Inc., and as marketing director in Sinochem Lantian Co., Limited. Mr. Lu joined the Company in June 2012 and was promoted to the present position since then.

Mr. LI Yang Jing – Deputy General Manager

Mr. LI Yang Jing, aged 43, is the Deputy General Manager of the Company. Mr. Li graduated from Shenyang Institute of Chemical Technology in 1995 majoring in Petroleum Processing with a bachelor's degree of Engineering, and acquired a master's degree in business administration in China Europe International Business School (CEIBS) in 2008. Mr. Li joined Sinochem Group in 1995 and had served as the general manager of the first Investment management section of property management department in China Chemical Import and Export Corporation, the general manager of Hainan Pacific Ocean Petroleum Industry Company Ltd., the chief of southwest office of Sinochem Group, the general manager of investment department and the general manager of engineering management department of Sinochem Group. Mr. Li joined the Company in November 2010 and was promoted to the present position since then.

Mr. GAO Jian – Chief Financial Officer

Mr. GAO Jian, aged 45, is the Chief Financial Officer of the Company. Mr. Gao graduated from Chongqing Institute of Industrial Management in 1993 with a bachelor's degree. Mr. Gao obtained a master's degree in business administration from Renmin University of China in 2002. He worked in Wuzhou Engineering Design and Research Institute from 1993 to 1999. In 1999, Mr. Gao joined China National Chemicals Import and Export Corporation and had worked in investment department and finance department. During 2002 and 2008, Mr. Gao had also worked in the accounting management department of Sinochem Group, acted as deputy general manager of the finance department in Qinghai Salt Lake Industry Group Co., Ltd. and deputy director (a temporary position) in the Working Bureau of Supervisory Panel of the State-owned Assets Supervision and Administration Commission of the State Council. In June 2008, Mr. Gao joined Sinochem Lantian Co., Ltd. as the chief financial officer. In July 2011, Mr. Gao joined the Company at the present position.

Mr. LI Bing – Deputy General Manager

Mr. LI Bing, aged 47, is the Deputy General Manager of the Company. Mr. Li graduated from Tianjin University majoring in Chemical Engineering in 1990 with a bachelor's degree and acquired a master's degree of Chemical Engineering from Tsinghua University of China in 2001. From 1990 to 2001, he served in Beijing Yanshan Petrochemical Company. In October 2001, Mr. Li joined Sinochem Group, in which he had held positions as assistant to the general manager in investment department, vice-president in Sanxing Company, general manager of Xi'an Modern Environmental Chemical Co., Ltd., and deputy general manager of engineering management department. Mr. Li joined the Company in April 2013 and was promoted to the present position since then.

Mr. LV Wen – Deputy General Manager

Mr. LV Wen, aged 41, is the Deputy General Manager of the Company. Mr. Lv graduated from Ocean University of Qingdao in 1998 with a bachelor's degree in International Trade. He acquired his EMBA degree in Tsinghua University in July 2013. From 1998 to 2000, Mr. Lv worked for Yantai Technology Service Centre of Agricultural Means of Production. Mr. Lv joined Sinochem Fertilizer Company Limited in December 2000, and served several positions including regional general manager of northeast region, deputy general manager of distribution management department, general manager of phosphate and compound fertilizer department and general manager of nitrogen fertilizer department. Mr. Lv was appointed as Assistant General Manager of the Sinochem Fertilizer Company Limited in September 2009 and was promoted to the present position in November 2010.

Mr. LU Gui Sheng – Deputy General Manager

Mr. LU Gui Sheng, aged 57, the Deputy General Manager of the Company. Mr. Lu graduated from Hebei Chemical Engineering College (currently known as Hebei University of Science and Technology) major in Oil Refining in March 1982. During 1982 and 1996, Mr. Lu had worked for Luoyang Oil Refinery and Luoyang Petrochemical Complex. During 1996 and 2004, Mr. Lu worked as head of technology department and deputy general engineer in West Pacific Petrochemical Company Ltd., Dalian. In November 2004, Mr. Lu joined Sinochem Group, acted as deputy general manager of oil refinery department in Sinochem International Industry Co., Ltd and assistant to general manager of Quanzhou Petrochemical Co., Ltd., respectively. Mr. Lu joined the Company in September 2014 and promoted to the present position.

Recognizing the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, Sinofert Holdings Limited is committed to maintaining a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practices on corporate governance, and compliance with the applicable corporate governance standards contained in relevant codes as set out in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Compliance with the Corporate Governance Code

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 2015 and up to the date of this report, the Company has complied with the applicable code provisions set out 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 report, the Board approved several connected transactions and continuing connected transactions by circulation of written resolutions in lieu of physical board meetings, 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 11 June 2015 (the "2015 AGM"), Mr. Liu De Shu, the then Chairman of the Board, did not chair the meeting due to other essential business engagements. In order to ensure smooth holding of the 2015 AGM, the Chairman of the Board authorized and the Directors attended the meeting elected Mr. Wang Hong Jun, the 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, nomination and corporate governance committee of the Company were present at the 2015 AGM and were available to answer relevant questions, which was in compliance with other part of code provision E.1.2.

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiries with all Directors, and the Directors have confirmed that they had complied with the required standards set out in the Model Code for the year under review.

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

Board of Directors

The Board of Directors ("Board") directs, monitors and supervises the management, business, strategic planning and financial performance of the Company and its subsidiaries and the Board considers that enhancing value for shareholders is a duty of the Directors.

Board composition

As at the date of this report, the Board consists of nine members. Among them, two are Executive Directors, namely Mr. WANG Hong Jun and Mr. Harry YANG; four are Non-executive Directors, namely Mr. NING Gao Ning, Mr. YANG Lin, Dr. Stephen Francis DOWDLE and Ms. XIANG Dandan; and three are Independent Non-executive Directors, namely Mr. KO Ming Tung, Edward, Mr. LU Xin and Mr. TSE Hau Yin, Aloysius. The biographical details of the Directors are set out on pages 32 to 35 of this annual report.

Executive Directors

All of the Executive Directors possess the qualification and experiences in their respective areas of responsibility, have extensive experience in corporate management and operations, and have good knowledge on the operations and structure of the Group. Under the leadership of the Chairman of the Board, the Executive Directors are able to maintain the effective management of the Group's business.

Non-executive Directors

The four Non-executive Directors of the Company are experienced and professionals in relevant business of the Group, who provide professional opinion and analysis to the Board effectively.

Independent Non-executive Directors

All of the three Independent Non-executive Directors are experienced professionals with different expertise in accounting, finance and legal aspects. Their mix of skills and experience, and their independent view on matters of the Group provide constructive comments and suggestions to the Board and safeguard the interests of the shareholders in general and the Company as a whole.

Appointment, re-election and removal of Directors

The current term of office for the Executive Directors and the Non-executive Directors (including the Independent Non-executive Directors) of the Company is fixed for three years. Pursuant to the bye-laws of the Company, every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years, and shall be subject to re-election by shareholders at the annual general meeting.

A person may be appointed as a member of the Board at any time either by the shareholders in a general meeting or by the Board upon recommendation by the Nomination Committee of the Company. Directors who are appointed by the Board shall be subject to election by shareholders at the first general meeting after their appointment.

During the year ended 31 December 2015 and up to date of this report, changes occurred in the composition of the Board as bellows:

1. Following the passing away of Dr. Tang Tin Sek, the former Independent Non-executive Director of the Company, on 2 December 2014, the Board comprised eight members, including two Executive Directors, four Non-executive Directors and two Independent Non-executive Directors. The number of Independent Non-executive Directors fell below the minimum number required under Rule 3.10(1) of the Listing Rules and representing below one-third of the Board as required under Rule 3.10A of the Listing Rules. In this connection, the Board performed extensive search and approved the appointment Mr. Lu Xin as an Independent Non-executive Director of the Company on 26 February 2015 to fill the casual vacancy that arose from the passing away of Dr. Tang. Mr. Lu was subsequently re-elected by the then shareholders of the Company at the special general meeting of the Company held on 17 March 2015. Following the appointment of Mr. Lu as an Independent Non-executive Director of the Company on 26 February 2015, the Company re-complied with Rule 3.10(1) and Rule 3.10A of the Listing Rules.

2. On 8 March 2016, Mr. Liu De Shu resigned as Chairman of the Board and Non-executive Director of the Company due to age reason. Mr. Ning Gao Ning was appointed as Chairman of the Board and Non-executive Director on the same day. Subsequent to his appointment, Mr. Ning will be proposed for re-election by the shareholders of the Company at the forthcoming general meeting in accordance with the bye-laws of the Company.

Independence of the Board

The Board has received from each of the Independent Non-executive Directors a written annual confirmation of their independence in accordance with Rule 3.13 of the Listing Rules, and believed that their independence satisfied the guidelines as stipulated in the Listing Rules up to the date of this report.

The Board has noticed that Mr. Ko Ming Tung, Edward, Independent Non-executive Director of the Company, has served the Board for more than 15 years. Pursuant to code provision A.4.3 of the Corporate Governance Code, inter alia, having served the company for more than 9 years could be relevant to the determination of a non-executive director's independence. If an independent non-executive director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders. In this regard, the re-appointment of Mr. Ko as Independent Non-executive Director of the Company was approved by shareholders in separate resolution at the annual general meeting of the Company held on 11 June 2015. In assessing the independence of Mr. Ko, the Board took into account the fact that Mr. Ko has not engaged in any executive management of the Group, and has demonstrated his ability to provide an independent view to the Company's matters during his terms of office with the Company. The Board believes that Mr. Ko is independent with the Company and has complied with the independence requirements of Rule 3.13 of the Listing Rules.

For the year ended 31 December 2015, Mr. Liu De Shu and Mr. Yang Lin each held directorships or other positions in Sinochem Group (the ultimate controlling shareholder of the Company), its subsidiaries and/or its associated companies; Mr. Harry Yang is a director of US Agri-Chemicals Corporation, a member company of Sinochem Group, whose business ceased operation in November 2005. Beside, Mr. Ning Gao Ning is the Chairman of Sinochem Group since the date of his appointment as Non-executive Director of the Company till the date of this report.

In addition, Dr. Stephen Francis Dowdle and Ms. Xiang Dandan, the Company's Non-executive Directors, are nominated by Potash Corporation of Saskatchewan Inc. ("PotashCorp"), the second largest shareholder of the Company, to the Board of the Company. During the year ended 31 December 2015, Dr. Stephen Francis Dowdle and Ms. Xiang Dandan hold senior positions in PotashCorp and/or its subsidiaries. Subsequently in March 2016, Ms. Xiang moved to Compotex Limited at the position of Marketing Vice President of Latin America. Compotex Limited is an export association composed of three potash producers including PotashCorp.

Other than as described above, there is no other relationship among the members of the Board and, in particular, between the Chairman and the Chief Executive Officer.

Division of the responsibilities between the Board of Directors and the management

The Board of Directors is responsible for reviewing and approving the Company's strategy management, financial management, investment management, asset disposal and other matters, implementing the resolutions passed in the general meetings and supervising the management team; and the management team under the leadership of the Chief Executive Officer is responsible for formulating the strategic plan and operation goals of the Company, compiling and executing the annual budget and setting out annual investment policies, etc..

Responsibilities of Chairman and Chief Executive Officer

The Board has authorized management team to handle daily operational matters under the instruction and supervision of the Chief Executive Officer. Mr. Liu De Shu, as the then Chairman, is responsible to lead and ensure the effective management of the Board. Subsequent to the resignation of Mr. Liu and the appointment of Mr. Ning Gao Ning as the Chairman of the Board on 8 March 2016, Mr Ning continues to lead and ensure the effective management of the Board. Mr. Wang Hong Jun as the Chief Executive Officer, is responsible for the effective implementation of the policies formulated by the Board and the management of the businesses and operations of the Group.

Major duties of the Board

The Board is primarily responsible for the following matters:

1. to approve and monitor the strategic plans of the Group;

2. to review the financial performance and results of the Group;

3. to review the dividend policy of the Company;

4. to approve and monitor material acquisitions, investment, asset transactions and any other significant expenditures of the Group; and

5. to supervise internal risk management policy of the Group.

The Board is also responsible for overseeing the preparation of the annual consolidated financial statements which ensures a true and fair view of the state of affairs and of the results and cash flows of the Group for the year. In preparing the consolidated financial statements for the year ended 31 December 2015, the Board have:

1. approved the adoption of the applicable Hong Kong Financial Reporting Standards;

2. selected suitable accounting policies and applied them consistently throughout the year covered by the consolidated financial statements;

3. made judgements and estimates that are prudent and reasonable, and ensured the consolidated financial statements are prepared on a going concern basis; and

4. ensured that the consolidated financial statements are prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the Listing Rules and the applicable accounting standards.

The Board recognizes that high quality corporate reporting is important in enhancing the relationship between the Company and its stakeholders. The Board aims at presenting a balanced, clear and comprehensive vision of the performance, position and prospects of the Group in all corporate communications.

Continuous professional development

The Company considers continuous professional development is important for Directors in maintaining up-to-date knowledge on the business operations of the Company as well as the regulations in the capital market. In this regard, the Company provided professional training to Directors, including a formal and comprehensive induction programme to newly appointed Directors for the purpose of giving an overview of the business and operations of the Group and a proper understanding of his/her responsibilities and obligations under the Listing Rules, Corporate Governance Code and applicable laws and regulatory requirements; and also regular updates on new issues and/or changes in the regulatory environments. During the year, Mr. Lu Xin attended such induction training after his appointment as an Independent Non-executive Director of the Company. Besides, Mr. Ning Gao Ning has confirmed that he has received sufficient relevant introduction after his appointment as the Chairman of the Board and the Non-executive Director of the Company.

During the year, the Company arranged and funded a seminar, which was conducted by a professional legal firm, on the recent development of Listing Rules and Companies Ordinance in Hong Kong. All Directors have attended the seminar. In addition, the Company has received confirmation from all Directors that they have participated in continuous professional development during the year to develop and refresh their knowledge and skills, which ensured that their contribution to the Board remains informed and relevant.

In addition, the Company provided regular updates to all Directors in respect of the business and operations of the Group through monthly reports; and of the changes in Listing Rules, Corporate Governance Code and related regulatory requirements, if any.

Board meetings

For the year ended 31 December 2015, the Board held four meetings to discuss and review the Group's strategies and planning, the Company's annual report, interim report, dividend policy, investment projects, continuing connected transactions and other significant matters. The Board had also approved certain proposals by circulation of written resolutions during the year. The attendance rates of the then Chairman, Mr. Liu De Shu, and other members of the Board at the aforesaid Board meetings are as follows:

	Attendance rate
Executive Directors	
Mr. Wang Hong Jun *(Chief Executive Officer)*	4/4
Mr. Harry Yang	4/4
Non-executive Directors	
Mr. Liu De Shu *(Chairman)*	2/4
Mr. Yang Lin	4/4
Dr. Stephen Francis Dowdle	4/4
Ms. Xiang Dandan	4/4
Independent Non-executive Directors	
Mr. Ko Ming Tung, Edward	4/4
Mr. Lu Xin *(note)*	4/4
Mr. Tse Hau Yin, Aloysius	4/4

Note: Mr. Lu Xin was appointed as an Independent Non-executive Director of the Company on 26 February 2015.

Committees of the Board of Directors

Audit Committee

An audit committee was established by the Board in 1999 (the "Audit Committee") with its written terms of reference. The Audit Committee currently comprises three Independent Non-executive Directors of the Company. The Chairman of the Audit Committee is Mr. Tse Hau Yin, Aloysius and the other members are Mr. Ko Ming Tung, Edward and Mr. Lu Xin. Mr. Lu Xin is a new member of the Audit Committee being appointed by the Board on 26 February 2015. During the year and up to 25 February 2015, the Audit Committee only comprised two members following the passing away of a former member Dr. Tang Tin Sek, failing to comply with Rule 3.21 of the Listing Rules which required that an audit committee must comprise a minimum of three members. Following the appointment of Mr. Lu as a member of the Audit Committee on 26 February 2015, the Company has now complied with Rule 3.21 of the Listing Rules.

The latest terms of reference of the Audit Committee, which have been revised on 31 December 2015 in accordance with the Corporate Governance Code are available on the Company's website. The current terms of reference of the Audit Committee are summarized in the following aspects, including but not limited to (1) monitoring the relationship with the external auditors including but not limited to reviewing and monitoring the independence and objectiveness of the external auditor and the effectiveness of audit procedures in accordance with the applicable standards; (2) reviewing the Group's financial information; and (3) overseeing the Group's financial reporting system, risk management and internal control procedures.

The Audit Committee held four meetings during the year ended 31 December 2015. The Chief Financial Officer or Deputy General Manager of Finance Department and the external auditors also attended the meetings. The attendance rates of each of the committee members at these meetings are as follows:

	Attendance rate
Independent Non-executive Directors	
Mr. Tse Hau Yin, Aloysius *(Chairman)*	4/4
Mr. Ko Ming Tung, Edward	4/4
Mr. Lu Xin	4/4

The Audit Committee had completed the following work during the year:

1. reviewed and commented on the Company's annual and interim reports (including the consolidated financial statements contained therein), and result announcements, and recommended the same for the Board's approval;

2. reviewed and discussed significant issues identified in the preparation of the consolidated financial statements, including those related to accounting records, financial report and internal control system;

3. reviewed the independence of the external auditors, considered and made recommendation to the Board on the re-appointment of external auditors and the corresponding audit fee for the year ended 31 December 2015;

4. discussed the audit plan, scope and responsibility before the commencement of work with the external auditors;

5. reviewed and evaluated the effectiveness of the Company's corporate governance practices and the Group's financial control (including the adequacy of resources, staff's qualifications and experience in the Group's accounting and financial reporting functions), internal control and risk management systems, procedures and arrangements to enable employees to raise concerns about possible improprieties in financial reporting, internal control or other matters, and made sufficient communication with the management on related matters. The results of such review were satisfactory;

6. discussed the Group's internal audit plan and the related work with the Internal Audit Department;

7. met with the external auditors without the management's participation;

8. reviewed the continuing connected transactions conducted by the Group; and

9. reviewed and amended the existing terms of reference of the Audit Committee.

Remuneration Committee

A remuneration committee was established by the Board in August 2005 (the "Remuneration Committee") with its written terms of reference. The Remuneration Committee currently comprised five members. The Chairman of the Remuneration Committee is Mr. Ko Ming Tung, Edward, and the other members are Dr. Stephen Francis Dowdle, Mr. Lu Xin, Mr. Tse Hau Yin, Aloysius and Mr. Harry Yang. Except for Dr. Stephen Francis Dowdle who is a Non-executive Director and Mr. Harry Yang who is an Executive Director, the remaining three members are all Independent Non-executive Directors. Mr. Ko Ming Tung, Edward was appointed by the Board as the Chairman of the Remuneration Committee on 26 February 2015 and Mr. Lu Xin is a new member of the Remuneration Committee being appointed by the Board on the same date. During the year and up to 25 February 2015, the chairman position of the Remuneration Committee was vacant due to the passing away of the former chairman, failing to comply with Rule 3.25 of the Listing Rules. Following the appointment of Mr. Ko as the Chairman of the Remuneration Committee on 26 February 2015, the Company has now complied with Rule 3.25 of the Listing Rules.

The latest terms of reference of the Remuneration Committee, which have been revised in accordance with the Corporate Governance Code, are available on the Company's website. The current terms of reference of the Remuneration Committee are summarized in the following aspects, including but not limited to (1) making recommendations to the Board on the policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (2) reviewing and approving the Executive Directors' and senior management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board; and (3) determining, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment), and making recommendations to the Board on the remuneration of Non-executive Directors.

The Remuneration Committee held three meetings during the year ended 31 December 2015. The Remuneration Committee had also approved or passed certain proposals by circulation of written resolutions during the year, and had presented the relevant proposals to the Board for review or approval, where applicable, in subsequent board meetings. The attendance rates of each of the committee members at the aforesaid meetings are as follows:

	Attendance rate
Independent Non-executive Directors	
Mr. Ko Ming Tung, Edward *(Chairman)*	3/3
Mr. Lu Xin	3/3
Mr. Tse Hau Yin, Aloysius	3/3
Non-executive Director	
Dr. Stephen Francis Dowdle	3/3
Executive Director	
Mr. Harry Yang	3/3

The Remuneration Committee had completed the following work during the year:

1. evaluated the performance of Executive Directors and senior management and approved the proposal on performance bonus for Executive Directors and senior management for the year 2014, based on the performance target established in the year before;

2. approved the remuneration package (including cash compensation and bonus scheme) of Executive Directors and senior management for the year 2015 and the key terms in their service contracts;

3. made recommendation to the Board in respect of the compensation proposal for Non-executive Directors and Independent Non-executive Directors for the year 2015;

4. approved the re-appointment of remuneration consultant; and

5. reviewed the existing terms of reference of the Remuneration Committee.

Remuneration policy of the Group

The key components of the Group's remuneration package include basic salary, and where applicable, other allowances, annual 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 2015, the Group had about 6,752 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 2015, the Group provided 2,033 person-times or 12,365 hours of training (any training organized by the subsidiaries have not been included in these numbers). The training courses covered areas such as industrial 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.

Other than those mentioned above, the Company had also arranged directors & officers' liability (D & O) insurance which provides comprehensive protection for the Group's business by covering losses in relation to investigations or claims against the Company's Directors and the Group's officers.

Nomination Committee

A nomination committee was established by the Board in August 2005 (the "Nomination Committee") with its written terms of reference. The Nomination Committee currently comprises five members. The Chairman of the Nomination Committee is Mr. Ko Ming Tung, Edward and the other members are Dr. Stephen Francis Dowdle, Mr. Lu Xin, Mr. Tse Hau Yin, Aloysius and Mr. Harry Yang. Except for Dr. Stephen Francis Dowdle who is a Non-executive Director and Mr. Harry Yang who is an Executive Director, the remaining three members are all Independent Non-executive Directors. Mr. Lu Xin is a new member of the Nomination Committee being appointed by the Board on 26 February 2015.

The latest terms of reference of the Nomination Committee, which have been revised in accordance with the Corporate Governance Code, are available on the Company's website. The current terms of reference of the Nomination Committee are summarized in the following aspects, including but not limited to (1) formulating nomination policy for the Board's consideration and implementing the Board's approved nomination policy; (2) determining the criteria to select and recommend candidates for directorship; (3) reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (4) identifying individuals suitably qualified to become Board members for Board's consideration on the selection of individuals nominated for directorships; and (5) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive.

The Nomination Committee met once during the year ended 31 December 2015. The Nomination Committee had also passed a proposal by circulation of written resolution during the year, and had presented the relevant proposal to the Board for approval. The attendance rates of each of the committee members at the aforesaid meeting are as follows:

	Attendance rate
Independent Non-executive Directors	
Mr. Ko Ming Tung, Edward *(Chairman)*	1/1
Mr. Lu Xin	1/1
Mr. Tse Hau Yin, Aloysius	1/1
Non-executive Director	
Dr. Stephen Francis Dowdle	1/1
Executive Director	
Mr. Harry Yang	1/1

The Nomination Committee had completed the following work during the year:

1. reviewed the structure, size and composition of the Board and made suggestions to the Board;

2. reviewed the terms of appointment of Directors and made recommendations to the Board;

3. nominated the Directors to be retired by rotation to the Board and made recommendation for their re-election in the forthcoming annual general meeting;

4. reviewed the independence of Independent Non-executive Directors and made suggestions to the Board; and

5. reviewed the nomination proposal in respect of the appointment of Mr. Lu Xin as an Independent Non-executive Director of the Company and recommended the same for approval by the Board. Mr. Lu was recommended by a Director. His profile was subsequently reviewed by the Nomination Committee and his suitability was assessed for the Board's consideration and recommended to the shareholders for consideration. In the selection process, the Nomination Committee makes reference to the criteria including reputation for integrity, accomplishment and experience in the relevant business sector; professional and educational background; and potential time commitment for the Board and/or committee responsibilities.

Board diversity policy of the Company

The Board adopted a board diversity policy on 27 March 2013 for the purpose of setting out the approach to achieve diversity on the Board in compliance with the Corporate Governance Code. The policy states that, in designing the Board's composition, board diversity has been considered from a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on the candidates' talents. Candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives mentioned above. The final decision will be based on merit and contribution that the selected candidates will bring to the Board. During the year, the Nomination Committee had reviewed the Board composition of the Company and considered that the current Board's composition is maintained under the diversified perspective.

Corporate Governance Committee

A corporate governance committee was established by the Board on 22 March 2012 (the "Corporate Governance Committee") with its written terms of reference. The Corporate Governance Committee currently comprises four members. The Chairman of the Corporate Governance Committee is Mr. Wang Hong Jun (Executive Director and Chief Executive Officer), and the other members of the Corporate Governance Committee are Mr. Harry Yang (Executive Director), Ms. Cheung Kar Mun, Cindy (Company Secretary) and Ms. Dong Jiao Jiao (Deputy General Manager of Legal Department).

The terms of reference of the Corporate Governance Committee are available on the Company's website. The current terms of reference of the Corporate Governance Committee are summarized in the following aspects, including but not limited to (1) developing and reviewing the corporate governance ("CG") principles and policies of the Company and making recommendations to the Board, and implementing the CG policies laid down by the Board; (2) reviewing and monitoring the CG policies and practices to ensure compliance with legal and regulatory requirements; (3) developing, reviewing and monitoring the code of conduct and guidelines in relation to CG matters applicable to the Company's Directors and employees; (4) reviewing the Company's compliance with the Corporate Governance Code and related rules; (5) preparing the annual CG Report; and (6) reviewing regularly the contribution required from Directors to perform their responsibilities to the Company, and the time commitments.

The Corporate Governance Committee met once during the year ended 31 December 2015. The attendance rates of each of the committee members at the aforesaid meeting are as follows:

	Attendance rate
Executive Directors	
Mr. Wang Hong Jun *(Chairman)*	1/1
Mr. Harry Yang	1/1
Management	
Ms. Cheung Kar Mun, Cindy	1/1
Ms. Dong Jiao Jiao	1/1

The Corporate Governance Committee had completed the following work during the year:

1. reviewed the Company's policies and practices on corporate governance and made recommendations to the Board;

2. reviewed and monitored the training and continuous professional development of Directors and senior management;

3. reviewed the Company's corporate governance policies and practices and monitor the Company's compliance with the Corporate Governance Code and the Listing Rules;

4. reviewed and monitored the code of conduct applicable to employees and directors;

5. reviewed the Company's compliance with the corporate governance code and disclosures in the Corporate Governance Report; and

6. reviewed the existing terms of reference of Corporate Governance Committee.

Communication with Shareholders

Shareholders communication policy

The Company has adopted the shareholders communication policy (the "Shareholders Communication Policy") to ensure the shareholders, and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company. The Shareholders Communication Policy is available on the Company's website.

Enquiries of shareholders

Designated contacts and enquiry lines of the Company have been provided in the "Corporate Information" section of this annual report to inform the shareholders and the investment community the channels to make enquiries in respect of the Company. To the extent that the requisite information of the Company is publicly available, shareholders and the investment community may at any time make a request for such information. Shareholders can also make enquiries with the Board directly at the general meetings.

General meetings

Annual general meeting is one of the principal channels for the Company to communicate with the shareholders. 2015 AGM of the Company was held on 11 June 2015, in which Mr. Wang Hong Jun, an Executive Director and the Chief Executive Officer of the Company, chaired the meeting on behalf of the Chairman of the Board. In addition, the external auditors of the Company and respective chairmen of the Audit, Remuneration, Nomination and Corporate Governance Committees of the Company attended the 2015 AGM and were available to answer relevant questions. The attendance rates of each of the Directors at the 2015 AGM are as follows:

	Attendance rate
Executive Directors	
Mr. Wang Hong Jun *(Chief Executive Officer)*	1/1
Mr. Harry Yang	1/1
Non-executive Directors	
Mr. Liu De Shu *(Chairman)*	0/1
Mr. Yang Lin	0/1
Dr. Stephen Francis Dowdle	0/1
Ms. Xiang Dandan	0/1
Independent Non-executive Directors	
Mr. Ko Ming Tung, Edward	1/1
Mr. Lu Xin	1/1
Mr. Tse Hau Yin, Aloysius	1/1

During the year, three special general meetings of the Company were held, two of them were held on 12 February 2015 and one of them was held on 17 March 2015. These special general meetings were held to approve a connected transaction and certain continuing connected transactions of the Company by the then independent shareholders. The attendance rates of each of the Directors at the abovementioned special general meetings are as follows:

	Attendance rate
Executive Directors	
Mr. Wang Hong Jun *(Chief Executive Officer)*	3/3
Mr. Harry Yang	3/3
Non-executive Directors	
Mr. Liu De Shu *(Chairman)*	0/3
Mr. Yang Lin	0/3
Dr. Stephen Francis Dowdle	0/3
Ms. Xiang Dandan	0/3
Independent Non-executive Directors	
Mr. Ko Ming Tung, Edward	3/3
Mr. Lu Xin	3/3
Mr. Tse Hau Yin, Aloysius	3/3

Shareholders' rights

Shareholders, at the date of deposit of the requisition, holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right to submit a signed written requisition, specifying the purpose (including any proposals), to the Board or the Company Secretary to require a special general meeting, and deposit the requisition at the Company's principal place of business at Units 4601-4610, 46th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene the special general meeting, the requisitionist(s), or any of them representing more than one half of the total voting rights of all of them, themselves may convene a special general meeting, but any special general meeting so convened shall not be held after the expiration of three months from twenty-one days of the deposit.

In addition, shareholders may propose a person for election as a Director of the Company. Details of the procedures for shareholders to propose a person for election as a Director of the Company are available on the Company's website.

Constitutional documents

The constitutional documents of the Company, including the memorandum of association and bye-laws of the Company, are available for review by shareholders from the Company's website. During the year, there is no change in these constitutional documents.

External Auditor

The Group's external auditor is KPMG. The Audit Committee is mandated to ensure continuing auditors' objectivity and safeguarding independence of the auditors. During the year, the Audit Committee has considered and approved the re-appointment of KPMG as the auditor of the Group for the year ended 31 December 2015, and the corresponding audit fees estimation.

The audit fees paid or payable by the Group to the external auditors in respect of audit and other non-audit services for the year ended 31 December 2015 were as follows:

	For the year ended 31 December	
Nature of services	**2015** **RMB'000**	2014 RMB'000
Audit service (including audit of financial statements and other audit related projects)	**4,250**	4,250
Tax related service	**13**	8
Total	**4,263**	4,258

Financial Management

In 2015, in terms of performance evaluation, the Group further deepened comprehensive budget management and extended to subordinate units, strengthened supervision and control on the whole, focused on subsidiaries with abnormal performance, constantly optimized the performance evaluation system, adopted process evaluation, maintained the high performance oriented strategy, emphasized on investment returns, optimized resource allocation and fully exerted the strategy orientation budget monitoring and control role of performance evaluation.

In 2015, in order to meet the requirements of strategy implementation and business promotion, the Group grasped the opportunity in the changing trend of foreign exchange and interest rate on both domestic and international markets, brought into full play the advantage of integrated fund management, controlled the fluctuation risk of interest rate, made full use of the low-cost borrowings, increased the capital turnover rate, enhanced the allocation and utilization of the Group's internal capital and reduced the overall capital cost; maintained close cooperation with external banks and continued to hold sufficient bank line of credit; cooperated with financial institutions including Postal Savings Bank of China, China Minsheng Bank and China Guangfa Bank, promoted financing services for small and medium-sized customers and provided financial value-added service to customers.

In 2015, the Group kept on strengthening the integrated management of the financial personnel and improving their professional qualities and management level by means of training, job rotation and performance appraisal, etc. We have made a detailed list of four-echelon members through talent review, thus providing a basis for the deployment and promotion of the financial personnel, and carried out individualized training at different levels in each echelon, constantly enhancing the professionalism of all the financial personnel. Besides, the Group have established and improved the team-culture system as well as organized party-building and department activities, reinforcing communications between employees and increasing their cohesion. Overall, the Group aims at building with great efforts a sound, efficient and reliable financial team.

In 2015, the Group made efforts to managing costs of plants by transforming to the full cost management from the traditional cost management. Attaching importance to production cost controlling and strategic costing, the Group strived to extend the market, strengthen the production management, avoid unnecessary cost, increase income and reduce expenditure. Through carrying out comprehensive procedures to reduce costs and increase efficiency and further promoting the performance assessment, the Group enhanced the overall profitability and market competitive ability.

Internal Control

The Board understands that, in accordance with the code provision C.2 of the Corporate Governance Code contained in the Listing Rules, the Board should ensure the Group's internal control and risk management system to be robust, appropriate and effective, and review on a regular basis in order to safeguard shareholders' interests and the Group's asset. During the year, the Group conducted an annual review and appraisal of the whole internal control and risk management system by applying as standards the Basic Code of Corporate Internal Control and its accompanying guidelines jointly issued by the People's Republic of China, while complying with the Listing Rules and the Internal Control Framework of US Committee of Sponsoring Organizations (COSO). The review assessed and provided feedback on all significant aspects of control, including financial control, operational control, compliance control as well as risk management, so as to ensure the effective operation of the internal control system by taking into consideration the respective characteristics of the headquarter, subsidiaries and branches of the Company.

Internal control and risk management efforts

For years, the Group has been committed to perfect the system of internal control and risk management and constantly improve the system construction and achieved practical effects in internal control and risk management. The Internal Audit Department, as the key responsible party in internal control of the Group, formulates the internal audit projects and annual internal audit plan based on the results of risk assessment and discusses with the Audit Committee in order to review and determine the internal audit plan and allocation of resources on an annual basis.

During the year, the Internal Audit Department of the Group implemented its works according to its annual audit plan. The audit projects covered areas such as financial audit, internal control audit, risk assessment, audit investigation and consultation services, etc. The coverage included the key branches and subsidiaries of the Group. Combined with the internal control system of the Group, the results of internal control assessments, the findings of annual audit investigations, key investigation by SASAC and its feedbacks as well as the concern areas of the Audit Committee, through implementation of self-assessments by departments of the headquarter, branches, controlling production subsidiaries and overseas subsidiaries, the Internal Audit Department thoroughly reviewed the effectiveness of the design and implementation of the key elements in respect of environment control, risk assessment, controlled activities, information and communication, internal control, etc.. Furthermore, the Internal Audit Department summarized the related contents including the assessment process of internal control, identification of defects and improvement measures of internal control as well as the conclusion on the effectiveness of internal control. The Group further guaranteed the quality of internal control assessment through adopting the approach that combined training and examination, and perfected the internal control system of the Company through forming a sophisticated mechanism of internal control assessment and improvement.

1. Environment control: After years of development and improvement, the Group has established a sophisticated environment, a regulated governance structure, a clear strategic vision, a sound corporate culture and a developed human resources management mechanism. The Group performed social responsibilities proactively in order to lay a solid foundation for the establishment of the Company's well-organized internal control and risk management system.

2. Risk assessment: The Group analyzed the changes in the macro environment both at home and abroad, industrial environment and internal environment of the Company, comprehensively assessed each kind of risk the Company might face, identified significant risk areas and monitored the implementation of risk management and constantly improved the building of the risk management system.

3. Control activities: In response to the corporate internal environment and risk assessment results, the Group developed relatively well-established control measures with operation and management characteristics of the Group. The Group improved the effectiveness of internal control through constantly optimizing the processes and perfecting the mechanism; and improved the execution of internal control through strengthening supervision and examination.

4. Information and communication: The Group well-established open information channels with good information flow in and out as well up and down, information transmission mechanism, anti embezzlement mechanism and complaint and investigation mechanism so that information can be effectively exchanged, reasonably disclosed and safely utilized within and outside of the Company.

5. Internal control: Through years' of development, the Group, according to relevant requirements in the Listing Rules of the Stock Exchange and Internal Control Framework of COSO, formulated a set of relatively perfect internal control system, built a multi-level internal control system, and established the working methods, procedures and requirements meeting with standards of international internal audit, which effectively secured the Company's business objectives and strategic transformation.

Through inspection and assessment on internal control system, the Group believed, for the year of 2015, to have had a relatively good internal control environment; systematically identified, assessed and coped with risks the Group faced, established a sound and perfect internal system and normative business processes and possessed strong ability of information transmission and communication as well as execution of internal supervision. The system of internal control and risk management has reasonably secured the strategy promotion and current business development of the Group. In the future, the Group will continue to comply with the Listing Rules of the Stock Exchange and based on the Basic Norms of Internal Control and its guidelines. The Group will focus on constructing a strong multi-level supervision system, improve reporting as well as the precaution mechanism, rectification and tracking mechanism and outcome application system, further enhance the effectiveness of design and execution of internal control, constantly promote the quality and effectiveness of the internal control and ensure the sound and smooth implementation of the Group's strategic objectives.

Investor Relation and Information Disclosure

The Group attaches great importance to investor relations' work, which is directly in charge by the senior management of the Company. Under the supervision and requirements of the Listing Rules of the Stock Exchange and the Rules Governing the Management of Information Disclosure of the Company, the Group maintained close communication with the capital market through multiple channels.

In 2015, the overall fertilizer market was still sluggish with a serious surplus of production capacity and increasing chaotic competition. Confronted with a stagnant industrial environment, the Company actively carried out various work related to investor relations and information disclosure, conducted sufficient communications with the capital market on industrial market conditions, business operation and development strategy of the Company, and achieved good results.

In 2015, the work related to investor relations of the Company mainly included:

1. In March 2015, the Company announced its 2014 annual results and held press conference and analysts' meeting.

2. In August 2015, the Company announced its 2015 interim results and held press conference and analysts' meeting.

Apart from the above-mentioned results press conferences, the Group participated in several investor conferences organized by investment banks and also adopted multiple ways in daily work including on-site receptions, conference calls, and emails to keep effective communication and connection with investors and analysts. For the year ended 31 December 2015, the Company had conducted over 300 discussions or communications with the capital market in different ways.

In addition, the Group disclosed corporate information through the Stock Exchange and the Company's websites timely with strict compliance with the Listing Rules and the Rules Governing the Management of Information Disclosure of the Company, delivering important announcements to all shareholders in time. The Company also updated the website continuously to disclose important information of the Group to the public in time.

Health, Safety and Environment

In 2015, the Group achieved the planned goals of no major and above production accidents, no level-IV and above environmental events, and no accidents of occupational disease hazards, etc.. The Group kept an overall stable situation in health, safety and environmental protection (HSE).

During the year of 2015, with the opportunity of safety production law implementation, the Group actively carried out the concept of putting people first and safety development, strictly adhered to the principle of "safeguarding safety with iron fist", strengthened the HSE-related responsibility of personnel at all levels, centered on the short board of HSE management and implemented four major measures, namely, risk management as the key, behavioural improvement and inherent safety as the focus, HSE leadership as the driving force and HSE execution as the assurance. The Group made a success on the trial production of the 18/30 project and no accident during the 45,000 operations; officially released the "safety management red line", established the safety concept of "life is more important than work", successfully carried out the risk identification activities named "risk besides me", promoted safety journey projects and effectively improved the HSE management; set up an HSE audit mechanism and gradually implemented and continuously improved the HSE management; focused on the basic building of occupational health, reduce or prevent occupational hazards and ensure the physical and mental health of the personnel.

The Group insisted on a people-oriented policy of environmental priority, prevention in advance and comprehensive management, actively implemented clean production, continuously reduced waste emission through technological transformation, built a long-term environmental protection mechanism and constantly improved its environmental protection performance. The Group has set up an HSE Committee, led by the key personnel of the management who is in charge of the implementation of environmental protection tasks. The management of environmental protection has been included in the HSE risk assessment. Responsibility statements are signed at the beginning of every year throughout the hierarchy of the Company and the environmental protection targets are assigned to every position and every personnel of the Group. The Group strictly implemented the "three-simultaneity" management of environmental protection for construction projects; strictly assessed the operating rate of environmental protection facilities, the effect of environmental protection and the implementation ratio of pollutant emission; strengthened the management of radiation sources and solid waste and considered the enterprises as the environmental protection entities. In the future, the Group will continue to increase inputs into environmental protection equipments and facilities, implement control from the source and responsibility-oriented assessment, ensure the fulfillment of emission reduction targets; organize technology competitions and a three-level emergency drill with the Group in order to improve the integrated emergency management capabilities; and actively build an enterprise featuring intrinsic safety and environmental friendliness and proactively fulfill its social responsibility.

Major Customers and Suppliers

The Group focused on key products. On one hand, it strengthened the development of core purchase bases and core suppliers, stabilized the international and domestic supply system, built a diversified supply chain, guaranteed the long-term and stable supply of high-quality fertilizer resources for the Company and continued to maintain its leading position as the largest fertilizer importer in China; on the other hand, it explored key markets and maintained close cooperation with core customers, continued to improve the integrated management of upstream and downstream operations, formed a strong linkage between the upstream and downstream operations and became an important player in the supply chain of base fertilizer.

Compliance with Relevant Laws and Regulations

The Group strictly complies with requirements of law, regulations, policy of PRC as well as the Listing Rules of the Stock Exchange and other relevant regulations. In 2015, based on the promulgation of the law on safety production, the Group practiced actively the principle of people-oriented and safety development and established the environmental protection mechanism. Furthermore, the Group continuously improve the environmental protection compliance. In respect of the fertilizer industry, Chinese government's resumption of levy of value-added-tax on fertilizers came into effect from 1 September 2015. In that regards, the Group operated in strict compliance with the value-added-tax requirements in purchase, product sales and strengthened training on the regulation of value-added-tax. The Group satisfied the requirements of strategic objectives implementation and business development, as well as effectively safeguards the lawful operation and sound implementation of the Group's business objectives and strategic transformation by way of internal control, risk management and HSE management.

DIRECTORS' REPORT

The board of directors of the Company (the "Board") are pleased to present the directors' report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

Principal Activities and Business Review

The principal activity of the Company is investment holding.

The principal activities of the Group include the production, import and export, distribution and retail of fertilizer raw materials and finished products, the provision of technical research and development and services relating to the fertilizer business and products, exploration and exploitation of phosphate mine, and production of monocalcium/monodicalcium phosphate. Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group, an analysis using financial key performance indicators, and an indication of likely future developments in the Group's business, can be found in the sections of "Management Review and Prospect" and "Management's Discussion and Analysis" of the annual report. In addition, a discussion on the Group's environmental policies and performance, the Group's compliance with the relevant laws and regulations that have a significant impact on the Group, and the Group's key relationships with its employees, customers and suppliers, can be found in the section of "Corporate Governance Report" of the annual report. These discussions form part of the Directors' Report.

An analysis of the Group's performance for the year by business segment is set out in note 4 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 84 to 85 of the annual report.

The Board recommended the payment of a final dividend of HK$0.0097 (equivalent to RMB0.0081) per share for the year ended 31 December 2015 (2014: HK$0.0104, equivalent to approximately RMB0.0082) to the shareholders, estimated to be HK$68,137,000 (equivalent to approximately RMB56,898,000) and the retention of the remaining profit in reserves.

Financial Summary

A summary of the operating results and of the assets and liabilities of the Group for the last five financial years is set out on page 168 of the annual report.

Major Customers and Suppliers

The aggregate turnover from the Group's five largest customers were less than 30% of the Group's total turnover for the year 2015. The aggregate purchase from the Group's five largest suppliers represented around 32% of the Group's total purchases for the year 2015, with the largest supplier contributing to 7% of the Group's total purchases for the year. A substantial shareholder of the Company, Potash Corporation of Saskatchewan Inc., holds one-third equity interests in the largest supplier of the Group.

Save for the above, none of the Directors, their close associates or any shareholders (which to the knowledge of the Directors owned more than 5% equity interests of the Company), had any interest in any of the Group's five largest customers or suppliers.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group for the year are set out in note 14 to the consolidated financial statements.

Share Capital

Details of the movements in share capital of the Company for the year are set out in note 32 to the consolidated financial statements.

Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity from pages 88 to 89 of the annual report.

Distributable Reserves of the Company

As at 31 December 2015, the Company's reserves available for distribution to shareholders, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), amounted to HK$95,583,000 (equivalent to approximately RMB75,184,000) (2014: HK$99,354,000, equivalent to approximately RMB78,251,000).

Donations

During the year ended 31 December 2015, the Group had made approximately RMB395,000 charitable donations in cash.

Directors

The Directors of the Company for the year and up to the date of this report were:

Executive Directors
Mr. Wang Hong Jun *(Chief Executive Officer)*
Mr. Harry Yang

Non-Executive Directors
Mr. Liu De Shu *(Chairman)* (resigned on 8 March 2016)
Mr. Ning Gao Ning *(Chairman)* (appointed on 8 March 2016)
Mr. Yang Lin
Dr. Stephen Francis Dowdle
Ms. Xiang Dandan

Independent Non-Executive Directors
Mr. Ko Ming Tung, Edward
Mr. Lu Xin (appointed on 26 February 2015)
Mr. Tse Hau Yin, Aloysius

In accordance with the bye-laws of the Company, Mr. Wang Hong Jun, Mr. Harry Yang and Mr. Tse Hau Yin, Aloysius will retire at the forthcoming annual general meeting of the Company and being eligible, offer themselves for re-election. Mr. Ning Gao Ning was appointed as a Director of the Company on 8 March 2016 and will hold office until the forthcoming annual general meeting and be eligible for re-election by shareholders.

Save as disclosed in the section of "Directors' Service Contracts", no Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management of the Company are set out on pages 32 to 36 of the annual report.

Disclosure of Information of Directors

Pursuant to the disclosure requirements under rule 13.51B(1) of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the changes/update of information of Directors are as follows:

1. During the year, Mr. Wang Hong Jun, Executive Director and Chief Executive Officer of the Company, and Mr. Harry Yang, Executive Director of the Company, requested a voluntary reduction of their annual basic compensation to RMB1,513,778 and RMB1,304,160 respectively.

   As resolved by the Remuneration Committee on 30 March 2016, Mr. Wang Hong Jun, Executive Director and Chief Executive Officer of the Company, and Mr. Harry Yang, Executive Director of the Company, were entitled to the performance bonus payment of RMB1,513,778 and RMB1,067,040, respectively, determined with reference to the operating results of the Group and their respective individual performance in 2015.

2. Mr. Ko Ming Tung, Edward, Independent Non-executive Director of the Company, was appointed as the Chairman of the Remuneration Committee of the Company with effect from 26 February 2015. His annual remuneration as the Chairman of the Remuneration Committee is HK$82,500 (equivalent to approximately RMB69,100), which was approved by the Board and was determined with reference to his duties and responsibilities.

   Mr. Ko is an independent non-executive director of Chia Tai Enterprises International Limited, whose shares commenced to be listed on the Main Board of the Stock Exchange on 3 July 2015. In addition, Mr Ko has been appointed as an independent non-executive director of Chinese Energy Holdings Limited on 17 August 2015, whose shares are listed on the Main Board of the Stock Exchange.

3. Mr. Tse Hau Yin, Aloysius, Independent Non-executive Director of the Company, is an independent non-executive director of Linmark Group Limited. The name of this company was changed to Daohe Global Group Limited effective on 23 June 2015. On 25 November 2014, Mr. Tse was appointed as an independent non-executive director of China Huarong Asset Management Co., Ltd., whose shares commenced to be listed on the GEM Board of the Stock Exchange on 30 October 2015.

Directors' Service Contracts

On 15 May 2014, Mr. Wang Hong Jun, Executive Director and Chief Executive Officer of the Company, entered into a service contract with the Company for a term of three years. On 15 May 2014, Mr. Harry Yang, Executive Director of the Company, renewed his service contract with the Company for a term of three years. Pursuant to the terms stipulated in the service contracts of Mr. Wang and Mr. Yang, the respective service contract with the Company may be (i) terminated prior to its expiry if either party serves two months' prior notice to the other in writing; or (ii) terminated by the Company in case of bankruptcy, diseases and any other significant faults of a director as described in the respective service contract. Should the Company terminate the respective service contract with Mr. Wang Hong Jun or Mr. Harry Yang prior to its expiry, Mr. Wang or Mr. Yang will be entitled to receive a cash compensation equivalent to 11 months of his annual director's salary, save for the circumstances described in item (ii) above.

The Company had issued formal letters of appointment for all Non-executive Directors (including Independent Non-executive Directors) of the Company, setting out key terms and conditions of their appointment, in compliance with the code provision D.1.4 as set out in the Corporate Governance Code.

Save as disclosed above, none of the Directors has a service contract with the Company.

Directors' Interests in the Shares and Share Options

As at 31 December 2015, the interests of the Directors and chief executives in the shares, share options, underlying shares and debt securities of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules, were as follows:

1. Ordinary shares of HK$0.1 each of the Company

As at 31 December 2015, a Director of the Company had long position in the shares of the Company as follows:

Name of Director	Capacity	Number of issued shares held
Harry Yang	Beneficial owner	600

2. Share options of the Company

The Company has adopted share option schemes to enable the Group to recruit and retain senior executives and key employees, attract human resources that are valuable to the Group and any invested entity and motivate employees' performance measurable against key drivers of value to shareholders. On 28 June 2007, the Company passed a resolution in a shareholders' meeting for the adoption of a new share option scheme (the "Share Option Scheme") and the termination of the then existing share option scheme adopted on 26 August 2002. The scope of participants under the Share Option Scheme encompasses employees, proposed employees, directors (but excluding independent non-executive directors) of the Company and its subsidiaries, and the invested entities.

Under the Share Option Scheme, the Board may, with respect to each grant of share options, determine the exercise price in accordance with the requirements under rule 17.03(9) of the Listing Rules, the vesting schedule (including any minimum holding period), and any performance targets that apply to the share options. A consideration of HK$1 is payable on acceptance of the offer of grant of an option and is payable within 30 days from the date of such offer.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of passing of the relevant ordinary resolution of the Company regarding the Share Option Scheme. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or any of their respective associates (as defined under the Listing Rules) in the 12-month period up to and including the date of such grant in excess of 0.1% of the Company's share capital in issue or with an aggregate value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

The Share Option Scheme will remain in force for a period of 10 years commencing on 28 June 2007. As at 31 December 2015, the remaining life of the Share Option Scheme is approximately 1.6 years.

As at 31 December 2015, the total number of option shares available for grant under the Share Option Scheme is 572,228,672, representing approximately 8.15% of the Company's shares in issue as at the reporting date. For the year ended 31 December 2015, no share option under the Share Option Scheme was granted. As at 1 January 2015 and 31 December 2015, no share option was outstanding.

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executives of the Company had any interests or short positions in any shares, share options, underlying shares or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register maintained by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than disclosed above, at no time during the year and as at 31 December 2015, was the Company or any of its subsidiaries or holding companies or the subsidiaries of the holding companies a party to any arrangement to enable the Directors or chief executives of the Company or any of their spouses or children under eighteen years of age has interest to acquire benefits by means of the acquisition of shares in, or debt securities of, the Company or any other body corporate.

Substantial Shareholders

As at 31 December 2015, other than the Directors or chief executives of the Company, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that, the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company:

Name of shareholder	Number of issued ordinary shares held – long position	Percentage of the issued share capital of the Company
Sinochem Group *(Note 1)*	3,698,660,874	52.65%
Sinochem Corporation *(Note 1)*	3,698,660,874	52.65%
Sinochem Hong Kong (Group) Company Limited ("Sinochem HK") *(Note 2)*	3,698,660,874	52.65%
Potash Corporation of Saskatchewan Inc. ("PotashCorp") *(Note 3)*	1,563,312,141	22.26%

Note 1: Sinochem HK is the wholly-owned subsidiary of Sinochem Corporation (中國中化股份有限公司). Sinochem Corporation is the 98% owned subsidiary of Sinochem Group (中國中化集團公司). Accordingly, Sinochem Group and Sinochem Corporation are deemed to be interested in 3,698,660,874 ordinary shares of the Company, being corporate interest beneficially held by Sinochem HK.

Note 2: Sinochem HK was beneficially interested in 3,698,660,874 ordinary shares of the Company.

Note 3: These shares represent the corporate interest of PotashCorp held through its wholly-owned subsidiary, PCS (Barbados) Investment Company Limited.

Save as disclosed above, other than the Directors or chief executives of the Company, the Company has not been notified of any other relevant interests or short positions held by any other person in the issued share capital of the Company as at 31 December 2015.

Directors or their Associated Entities' Interests in Significant Transactions, Arrangements and Contracts

Save as disclosed herein, no other transactions, arrangements or contracts of significance, to which the Company or any of its subsidiaries was a party and in which a Director of the Company or any of their associated entities had a material interest, whether directly or indirectly, were subsisted at the end of the year or at any time during the year.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Directors' Interests in Competing Business

During the year ended 31 December 2015, Mr. Harry Yang, Executive Director of the Company, was a director of US Agri-Chemicals Corporation, which is a wholly-owned subsidiary of Sinochem Group and was engaged in the production of fertilizer prior to its cessation of business in November 2005. Although US Agri-Chemicals Corporation still maintained its company registration with the relevant authorities in the United States, it had ceased its operation and accordingly, there is no competing business with the Group. Save for Mr. Harry Yang, none of the directors of US Agri-Chemicals Corporation held any positions or assumed any role in the Group during the year.

In addition, during the year ended 31 December 2015, Dr. Stephen Francis Dowdle, Non-Executive Director of the Company, is a director of Canpotex Limited ("Canpotex"), a Canadian corporation equally owned by PotashCorp (a substantial shareholder of the Company) and two other potash producers. Canpotex is principally engaged in offshore marketing of potash products for its three owners and is currently one of the major suppliers of fertilizer products to the Group. Since the Group and Canpotex currently focus on different sales regions, the Company believes that there is no competition between the Group and Canpotex. Save for Dr. Stephen Francis Dowdle, none of the directors of Canpotex held any positions or assumed any role in the Group during the year.

Save as disclosed above, during the year ended 31 December 2015, none of the Directors of the Company and their respective associates were interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Connected Transactions

Note: Unless otherwise defined in this section or other sections in this annual report, the definitions of the companies and certain specific terms included in this section shall have the same meaning assigned to them in the respective announcements or circulars.

For the year ended 31 December 2015, the Group had conducted the following one-off connected transactions and continuing connected transactions, which are subject to reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The following disclosures in respect of the one-off connected transactions and continuing connected transactions complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. When conducting the following continuing connected transactions during the year, the Company has followed the pricing policies and guidelines formulated at the time when such transactions were entered into.

I. One-off Connected Transactions

For the year ended 31 December 2015, the Group conducted the following one-off connected transactions, which are subject to reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

1. Disposal of Equity Interests in Tianjin Beihai by Dohigh Trading and Sinochem Fertilizer

On 6 March 2015, Dohigh Trading and Sinochem Fertilizer, two indirect wholly-owned subsidiaries of the Company, together with Sinochem Intertrans (each as a seller), entered into the Equity Transfer Contract with Tianjin Xintailai (as a purchaser). Pursuant to the Equity Transfer Contract, Dohigh Trading, Sinochem Fertilizer and Sinochem Intertrans agreed to transfer their 25%, 5.9034% and 14.5269% equity interests in Tianjin Beihai to Tianjin Xintailai, respectively. The aggregate consideration payable by Tianjin Xintailai to Dohigh Trading, Sinochem Fertilizer and Sinochem Intertrans was RMB18,853,030, which was determined during the listing-for-sale process organized by China Beijing Equity Exchange with reference to the valuation of 45.4303% equity interests (i.e. the aggregate equity interests held by Dohigh Trading, Sinochem Fertilizer and Sinochem Intertrans) in Tianjin Beihai as at 31 March 2014 performed by an independent valuer using asset-based method. Based on the shareholding percentage of Dohigh Trading, Sinochem Fertilizer and Sinochem Intertrans in Tianjin Beihai, the consideration payable by Tianjin Xintailai to Dohigh Trading, Sinochem Fertilizer and Sinochem Intertrans was approximately RMB10,374,701, RMB2,449,840 and RMB6,028,489, respectively. Upon completion of the Transaction, each of Dohigh Trading, Sinochem Fertilizer and Sinochem Intertrans would cease to hold any equity interest in Tianjin Beihai.

Each of Dohigh Trading and Sinochem Fertilizer is an indirect wholly-owned subsidiary of the Company. Sinochem Intertrans is an indirect non-wholly owned subsidiary of Sinochem Group, which is the ultimate controlling shareholder of the Company. Sinochem Intertrans is therefore a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, this transaction constitutes a connected transaction of the Company. Given that one or more of the applicable percentage ratios in respect of this transaction are more than 0.1% but less than 5%, this transaction is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For detailed information on the aforesaid transaction, please refer to the announcement dated 6 March 2015.

2. Subsequent Development of the Acquisition of Equity Interests in Qinghai Salt Lake by Sinochem Fertilizer

On 9 December 2014, the Board resolved to exercise an option in relation to the equity interests in Qinghai Salt Lake. In this connection, Sinochem Fertilizer proposed to enter into the 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 RMB3,903,420,000 ("the Acquisition"). The Acquisition has approved by the then Independent Shareholders as a special general meeting of the company held on 12 February 2015.

The Acquisition was subsequently examined and approved by the State-owned Assets Supervision and Administration Commission of the State Council on 30 June 2015, and all formalities as at 9 September 2015 in relation to the registration of share transfer was completed on 9 September 2015. Upon completion of the Acquisition, Sinochem Fertilizer holds 381,052,323 shares in Qinghai Salt Lake, representing 23.95% of its total issued share capital, thus becoming its second largest shareholder.

Sinochem Corporation is the indirect controlling shareholder of the Company, and is therefore a connected person of the Company. As such, the Acquisition constitutes a connected transaction of the Company under the Listing Rules. Given that one or more of the applicable percentage ratios in respect of the Acquisition are more than 5%, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Furthermore, as one or more of the applicable percentage ratios in respect of the Acquisition are more than 25% but less than 100%, the Acquisition also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

For detailed information on the aforesaid transaction, please refer to the announcements dated 13 October 2014, 9 December 2014, 12 February 2015 and 11 September 2015, and the circular dated 27 January 2015 published by the Company. The aforesaid connected transaction has been approved by the then independent shareholders of the Company at the special general meeting of the Company held on 12 February 2015.

II. Continuing Connected Transactions

For the year ended 31 December 2015, the Group's continuing connected transactions are listed below, which are subject to reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

A. Continuing Connected Transactions Subject to Independent Shareholders' Approval Requirement

1. Sulphur and Other Fertilizer Raw Materials Import Framework Agreement among Sinochem Fertilizer, Dohigh Trading and Sinochem Group

1) Sulphur Import Framework Agreement

On 12 December 2014, Sinochem Fertilizer and Dohigh Trading, two indirect wholly-owned subsidiaries of the Company, entered into the sulphur and other fertilizer raw materials import framework agreement ("Sulphur Import Framework Agreement") with Sinochem Group, pursuant to which Sinochem Group would continue to import sulphur and other fertilizer raw materials sourced by Dohigh Trading and sell them to Sinochem Fertilizer during the period from 1 January 2015 to 31 December 2015 (both days inclusive). Pursuant to the Sulphur Import Framework Agreement, Sinochem Group would import sulphur and other fertilizer raw materials sourced by Dohigh Trading only. Except for any sulphur and other fertilizer raw materials imported by Sinochem Group on behalf of its other customers, Sinochem Group would sell all the sulphur and other fertilizer raw materials it imported to Sinochem Fertilizer.

Under the Sulphur Import Framework Agreement, unless otherwise determined by the PRC Government, the pricing principles for the sale and purchase of sulphur and other fertilizer raw materials between the parties were as follows: (i) the price paid by Sinochem Group to Dohigh Trading for sulphur and other fertilizer raw materials sold by Dohigh Trading to Sinochem Group shall be determined in accordance with the prevailing international market price; and (ii) the price paid by Sinochem Fertilizer to Sinochem Group for sulphur and other fertilizer raw materials sold by Sinochem Group to Sinochem Fertilizer shall be determined in accordance with the domestic wholesale price at port.

Under the Sulphur Import Framework Agreement, the annual cap for 2015 in respect of the purchase by Sinochem Group from Dohigh Trading was US$120,000,000; the annual cap for 2015 in respect of sale from Sinochem Group to Sinochem Fertilizer was RMB900,000,000.

2) *New Sulphur Import Framework Agreement*

On 4 December 2015, Dohigh Trading and Sinochem Fertilizer entered into the new sulphur and other fertilizer raw materials import framework agreement ("New Sulphur Import Framework Agreement") with Sinochem Group, pursuant to which Sinochem Group will continue to import sulphur and other fertilizer raw materials sourced by Dohigh Trading and sell them to Sinochem Fertilizer during the period from 1 January 2016 to 31 December 2016 (both days inclusive). The terms of the New Sulphur Import Framework Agreement are substantially the same as those of the Sulphur Import Framework Agreement.

Under the New Sulphur Import Framework Agreement, the annual cap for 2016 in respect of the purchase by Sinochem Group from Dohigh Trading is US$160,000,000; the annual cap for 2016 in respect of sale from Sinochem Group to Sinochem Fertilizer is RMB1,200,000,000.

Each of Sinochem Fertilizer and Dohigh Trading is an indirect wholly-owned subsidiary of the Company. Sinochem Group is the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the Sulphur Import Framework Agreement and the New Sulphur Import Framework Agreement constitute continuing connected transactions of the Company. Given that the relevant applicable percentage ratios in respect of the annual caps under the Sulphur Import Framework Agreement and the New Sulphur Import Framework Agreement are more than 5%, such transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For detailed information on the aforesaid transactions, please refer to the announcements dated 12 December 2014, 12 February 2015, 4 December 2015 and 25 February 2016, and the circulars dated 27 January 2015 and 4 February 2016 published by the Company. The continuing connected transactions under the Sulphur Import Framework Agreement and the New Sulphur Import Framework Agreement have been approved by the then independent shareholders of the Company at the special general meetings of the Company held on 12 February 2015 and 25 February 2016, respectively.

2. *The MOU between Sinochem Macao and Canpotex*

On 12 January 2015, Sinochem Macao and Canpotex International Pte. Limited (on behalf of Canpotex) entered into the MOU, pursuant to which Sinochem Macao will continue to purchase Canadian potash from Canpotex during the period from 1 January 2015 to 31 December 2017. Under the MOU, Canpotex shall supply, and Sinochem Macao shall purchase, a minimum of 500,000 tonnes, 650,000 tonnes and 750,000 tonnes of red standard grade potash for the three years ending 31 December 2017, respectively. In addition to red standard grade potash, Sinochem Macao shall have the option to purchase from Canpotex a maximum of 800,000 tonnes of other grades of Canadian potash for each of the three years ending 31 December 2017. Under the circumstances specified in the MOU, Sinochem Macao shall have the exclusive right to sell red standard grade potash sourced from Canpotex in the PRC market.

According to the MOU, prices will be determined on a six-month basis through mutual negotiations between the parties with reference to prevailing international market potash prices and competitive sea import prices to the PRC. If Sinochem Macao and Canpotex cannot reach final agreements on prices pursuant to the MOU by certain specified dates, both parties will be free to pursue business through alternative channels.

The annual caps for the three years ending 31 December 2017 in respect of the continuing connected transactions under the MOU are US$435,500,000, US$500,250,000, and US$550,250,000, respectively.

Sinochem Macao is an indirect wholly-owned subsidiary of the Company. Potash Corporation is a substantial shareholder of the Company. Canpotex, owned as to 33.33% by Potash Corporation, is an associate of Potash Corporation, and is therefore a connected person of the Company. As such, the transactions under the MOU constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that the relevant applicable percentage ratios in respect of the annual caps of the continuing connected transactions under the MOU are more than 5%, such transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules.

For detailed information on the aforesaid transactions, please refer to the announcements dated 12 January 2015 and 17 March 2015, and the circular dated 26 February 2015 published by the Company. The continuing connected transactions under the MOU have been approved by the then independent shareholders of the Company at the special general meeting held on 17 March 2015.

3. ***Fertilizer Sales Co-operation Framework Agreement between Sinochem Fertilizer, Sinochem Macao and Sinochem Group***

1) *Fertilizer Sales Co-operation Framework Agreement*

On 9 December 2014, Sinochem Macao and Sinochem Fertilizer, two indirect wholly-owned subsidiaries of the Company, entered into the fertilizer sales co-operation framework agreement ("Fertilizer Sales Co-operation Framework Agreement") with Sinochem Group. The Fertilizer Sales Co-operation Framework Agreement had a term of one year from 1 January 2015 to 31 December 2015. Pursuant to the Fertilizer Sales Co-operation Framework Agreement, fertilizer products sourced from overseas by Sinochem Macao for Sinochem Fertilizer would first be sold to Sinochem Group. Sinochem Group, as an approved importer of fertilizer products in the PRC, would import the products sourced by Sinochem Macao and sell all of such products to Sinochem Fertilizer. Sinochem Group would also import a small amount of fertilizer products direct from overseas from time to time.

Under the Fertilizer Sales Co-operation Framework Agreement, unless otherwise determined by the PRC Government, the pricing principles for the sale and purchase of fertilizer products between the parties were as follows:

(i) the price paid by Sinochem Group to Sinochem Macao for fertilizer products sold by Sinochem Macao to Sinochem Group is determined in accordance with the prevailing international market price;

(ii) the price paid by Sinochem Fertilizer to Sinochem Group for fertilizer products sourced from overseas by Sinochem Macao is determined in accordance with the purchasing price paid by Sinochem Group plus reasonable costs incurred by Sinochem Group in relation to the import of fertilizer products; and

(iii) the price paid by Sinochem Fertilizer to Sinochem Group for fertilizer products sourced by Sinochem Group direct from overseas suppliers is determined in accordance with the domestic wholesale price at port.

Under the Fertilizer Sales Co-operation Framework Agreement, the annual cap for 2015 in respect of the continuing connected transactions between Sinochem Macao and Sinochem Group was US$1,265,000,000; the annual cap for 2015 in respect of the continuing connected transactions between Sinochem Fertilizer and Sinochem Group was RMB7,796,000,000.

2) *New Fertilizer Sales Co-operation Framework Agreement*

On 4 December 2015, Sinochem Macao and Sinochem Fertilizer entered into the fertilizer sales co-operation framework agreement ("New Fertilizer Sales Co-operation Framework Agreement") with Sinochem Group, pursuant to which Sinochem Group will continue to import fertilizer products sourced by Sinochem Macao and sell them to Sinochem Fertilizer during the period from 1 January 2016 to 31 December 2016 (both days inclusive). The terms of the New Fertilizer Sales Co-operation Framework Agreement are substantially the same as those of the Fertilizer Sales Co-operation Framework Agreement.

Under the New Fertilizer Sales Co-operation Framework Agreement, the annual cap for 2016 in respect of the continuing connected transactions between Sinochem Macao and Sinochem Group is US$1,430,000,000; the annual cap for 2016 in respect of the continuing connected transactions between Sinochem Fertilizer and Sinochem Group is RMB9,300,000,000.

Sinochem Fertilizer and Sinochem Macao are indirect wholly-owned subsidiaries of the Company. Sinochem Group is the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. The transactions under the Fertilizer Sales Co-operation Framework Agreement and the New Fertilizer Sales Co-operation Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that the relevant applicable percentage ratios in respect of the annual caps for the continuing connected transactions under the Fertilizer Sales Co-operation Framework Agreement and the New Fertilizer Sales Co-operation Framework Agreement are more than 5%, such transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules.

For detailed information on the aforesaid transactions, please refer to the announcements dated 9 December 2014, 12 February 2015, 4 December 2015 and 25 February 2016, and the circulars dated 27 January 2015 and 4 February 2016 published by the Company. The continuing connected transactions under the Fertilizer Sales Co-operation Framework Agreement and the New Fertilizer Sales Co-operation Framework Agreement have been approved by the then independent shareholders of the Company at the special general meetings of the Company held on 12 February 2015 and 25 February 2016, respectively.

B. Continuing Connected Transactions Exempted from Independent Shareholders' Approval Requirement but Subject to Reporting, Announcement and Annual Review Requirements

4. UK Service Agreement between Sinochem Macao and Sinochem UK

On 5 December 2013, Sinochem Macao, an indirect wholly-owned subsidiary of the Company, entered into the provision of services agreement ("UK Service Agreement") with Sinochem UK, pursuant to which Sinochem UK would provide local supplier relations and logistics services to Sinochem Macao in Europe at cost (mainly includes salaries and employee benefits, office rent, repair and maintenance, utilities, insurance and other administrative costs) during the period from 1 January 2014 to 31 December 2016 (both days inclusive). Pursuant to the UK Service Agreement, the fee payable by Sinochem Macao shall be US$8 per tonne of products purchased by Sinochem Macao from its suppliers and in respect of which Sinochem UK has provided services.

As disclosed in the announcement of the Company dated 9 December 2014, due to the fluctuation of foreign exchange rates and the increase in labour costs arising from inflation since 2014, the Company revised the annual cap for each of the three years from 2014 to 2016 in respect of the continuing connected transactions under the UK Service Agreement from US$2,000,000 to US$2,300,000.

Sinochem Macao is an indirect wholly-owned subsidiary of the Company. Sinochem UK is an indirect wholly-owned subsidiary of Sinochem Group, the ultimate controlling shareholder of the Company, is therefore a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions under the UK Service Agreement constitute continuing connected transactions of the Company. Given that the relevant applicable percentage ratios in respect of the annual caps of the continuing connected transactions under the UK Service Agreement are more than 0.1% but less than 5%, such transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

For detailed information on the aforesaid transactions, please refer to the announcements dated 5 December 2013 and 9 December 2014 published by the Company.

5. Financial Service Framework Agreement between the Company and Sinochem Finance

1) Financial Service Framework Agreement

On 5 December 2013, the Company and Sinochem Finance entered into the financial services framework agreement ("Financial Services Framework Agreement") for a term commencing on 1 January 2014 and expiring on 31 December 2015 (both days inclusive). Pursuant to the Financial Service Framework Agreement, the Group would, from time to time, utilize the financial services available from Sinochem Finance as it deems necessary, which include Deposit Services, provision of Loans Services (excluding entrustment loans), arrangement of entrustment loans, commercial bills of exchange services, buyer financing services, settlement services, provision of guarantees, internet banking services and any other financial services as approved by China Banking Regulatory Commission ("CBRC"), and pay the relevant interests and service fees to or receive deposit interests from Sinochem Finance. The interests for Deposit Services, and the fees charged for the provision of guarantees, internet banking services and other financial services approved by the CBRC were determined by the standard rates as promulgated by the People's Bank of China from time to time or the prevailing market rates. The interests payable for the provision of Loans Services, the service fee payable for the arrangement of entrustment loans, commercial bills of exchange services and settlement services would not exceed the service fee and relevant interest payable on such services under the same terms obtainable from independent commercial banks. No service fee was payable for buyer financing services.

Under the Financial Services Framework Agreement, the maximum amounts on the outstanding balance of deposits and other financial services (save for the provision of loans to the Group) are as follows:

(i) In respect of the Deposit Services, the maximum daily outstanding balance of deposits (including accrued interest) placed by the Group with Sinochem Finance for each of the two years ended 31 December 2015 was RMB360,000,000.

(ii) In respect of the Other Financial Services provided by Sinochem Finance, the annual cap for each of the two years ended 31 December 2015 was RMB10,000,000.

2) *New Financial Service Framework Agreement*

On 9 December 2015, the Company entered into the financial services framework agreement ("New Financial Services Framework Agreement") with Sinochem Finance, pursuant to which the Group will continue to utilize the financial services available from Sinochem Finance as it deems necessary during the period from 1 January 2016 to 31 December 2016 (both days inclusive). The terms of the New Financial Services Framework Agreement are substantially the same as those of the Financial Services Framework Agreement.

Under the New Financial Services Framework Agreement, the maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance for the year ending 31 December 2016 is RMB356,000,000. The annual cap in respect of the Other Financial Services for the year ending 31 December 2016 is RMB10,000,000.

Sinochem Finance is a wholly-owned subsidiary of Sinochem Corporation, the indirect controlling shareholder of the Company. Sinochem Finance is therefore a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the financial services provided by Sinochem Finance to the Group under the Financial Services Framework Agreement and the New Financial Services Framework Agreement constitute continuing connected transactions of the Company. As the applicable percentage ratios (other than the profits ratio) in respect of the maximum daily balance of deposits (including accrued interest) of the Deposit Services and the annual cap of the Other Financial Services (save for the provision of loans to the Group) under the Financial Services Framework Agreement and the New Financial Services Framework Agreement are more than 0.1% but less than 5%, the Deposit Services, the Other Financial Services (save for the provision of loans to the Group) and their respective proposed transaction caps are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under the Listing Rules.

As the loan provided to the Group by Sinochem Finance (excluding entrustment loans) constitutes financial assistance provided by a connected person for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the financial assistance, pursuant to Rule 14A.90 of the Listing Rules, the continuing connected transactions involving the provision of loans are exempt from the reporting, announcement and independent shareholders' approval requirements.

For detailed information on the aforesaid transactions, please refer to the announcements dated 5 December 2013 and 9 December 2015 published by the Company.

6. Agrichemical Framework Agreement between Sinochem Fertilizer and Sinochem Group

1) Agrichemical Framework Agreement

On 28 January 2015, Sinochem Fertilizer and Sinochem Group (for and on behalf of its associates) entered into the agrichemical framework agreement ("Agrichemical Framework Agreement"), pursuant to which the associates of Sinochem Group would sell to and/or purchase from Sinochem Fertilizer certain agrichemical, seed and other related products for a term up to 31 December 2015.

Pursuant to the Agrichemical Framework Agreement, prices of agrichemical, seed and other related products would be determined with reference to fair market prices of the products within the PRC at the time when Sinochem Fertilizer or the relevant associate of Sinochem Group submits its purchase plan for the relevant products.

The annual cap for the continuing connected transactions under the Agrichemical Framework Agreement for the year ended 31 December 2015 was RMB40,000,000.

2) New Agrichemical Framework Agreement

On 8 December 2015, Sinochem Fertilizer and Sinochem Group (for and on behalf of its associates) entered into the agrichemical framework agreement ("New Agrichemical Framework Agreement"), pursuant to which the associates of Sinochem Group will continue to sell to and/or purchase from Sinochem Fertilizer certain agrichemical, seed and other related products during the period from 1 January 2016 to 31 December 2016 (both days inclusive). The terms of the New Agrichemical Framework Agreement are substantially the same as those of the Agrichemical Framework Agreement.

The annual cap for the continuing connected transactions under the New Agrichemical Framework Agreement for the year ending 31 December 2016 is RMB36,900,000 (including the annual cap of RMB35,900,000 for the purchase of agrichemical, seed and other related products by the Group from the associates of Sinochem Group, and the annual cap of RMB1,000,000 for the sale of agrichemical, seed and other related products by the Group to the associates of Sinochem Group).

Sinochem Fertilizer is an indirect wholly-owned subsidiary of the Company. Sinochem Group is the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the Agrichemical Framework Agreement and the New Agrichemical Framework Agreement constitute continuing connected transactions of the Company. Given that the relevant applicable percentage ratios in respect of the annual caps for the continuing connected transactions under the Agrichemical Framework Agreement and the New Agrichemical Framework Agreement are more than 0.1% but less than 5%, such transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

For detailed information on the aforesaid transactions, please refer to the announcements dated 28 January 2015 and 8 December 2015.

7. Sulphur Purchase Framework Agreement between Dohigh Trading and Sinochem Group

1) Sulphur Purchase Framework Agreement

On 22 September 2014, Dohigh Trading and Sinochem Group entered into the sulphur purchase framework agreement ("Sulphur Purchase Framework Agreement"), pursuant to which Sinochem Group would purchase sulphur and other fertilizer raw materials from overseas markets through bidding process and sell them to Dohigh Trading during the period from 22 September 2014 to 31 December 2015 (both days inclusive). Sinochem Group would sell all sulphur and other fertilizer raw materials sourced from the overseas markets to Dohigh Trading except for those imported by Sinochem Group on behalf of other third parties. During the term of the Sulphur Purchase Framework Agreement, the purchase volume of sulphur and other fertilizer raw materials by Dohigh Trading from Sinochem Group would not exceed 200,000 tonnes.

Under the Sulphur Purchase Framework Agreement, unless otherwise determined by the PRC government, the price for the sale and purchase of sulphur and other fertilizer raw materials shall be determined by the parties through negotiation with reference to the prevailing international market price.

Under the Sulphur Purchase Framework Agreement, the annual caps for each of the two years ended 31 December 2015 in respect of the continuing connected transactions between Dohigh Trading and Sinochem Group were US$7,000,000 and US$20,000,000, respectively.

2) *New Sulphur Purchase Framework Agreement*

On 8 December 2015, Dohigh Trading and Sinochem Group entered into the sulphur purchase framework agreement ("New Sulphur Purchase Framework Agreement"), pursuant to which Sinochem Group will continue to purchase sulphur and other fertilizer raw materials from overseas markets through bidding process and sell them to Dohigh Trading during the period from 1 January 2016 to 31 December 2016 (both days inclusive). The terms of the New Sulphur Purchase Framework Agreement are substantially the same as those of the Sulphur Purchase Framework Agreement.

Under the New Sulphur Purchase Framework Agreement, the annual cap of the continuing connected transactions for 2016 is US$20,000,000.

Dohigh Trading is an indirect wholly-owned subsidiary of the Company. Sinochem Group is the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the Sulphur Purchase Framework Agreement and the New Sulphur Purchase Framework Agreement constitute continuing connected transactions of the Company. Given that the relevant applicable percentage ratios in respect of the annual caps for continuing connected transactions contemplated under the Sulphur Purchase Framework Agreement and the New Sulphur Purchase Framework Agreement are more than 0.1% but less than 5%, such transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

For detailed information on the aforesaid transactions, please refer to the announcements dated 22 September 2014 and 8 December 2015 published by the Company.

8. ***Sales Contract of Solid Industrial Sulphur between Sinochem Fertilizer and Quanzhou Petrochemical***

1) *Sales Contract of Solid Industrial Sulphur*

On 22 September 2014, Sinochem Fertilizer and Quanzhou Petrochemical entered into the sales contract of solid industrial sulphur ("Sales Contract") for a term from 22 September 2014 to 31 August 2015. Pursuant to the Sales Contract, Sinochem Fertilizer would purchase from Quanzhou Petrochemical solid industrial sulphur products during the above term. The purchase volume of Sinochem Fertilizer during the term of the Sales Contract would be approximately 30% of the annual production volume of Quanzhou Petrochemical and would not exceed 100,000 tonnes per annum. In particular, the monthly and daily purchase volumes of Sinochem Fertilizer would be 30% (±10%) of the monthly and daily production volumes of Quanzhou Petrochemical, respectively.

The price of the solid industrial sulphur products supplied by Quanzhou Petrochemical to Sinochem Fertilizer would be the factory price of the products. The factory price would be determined with reference to the prevailing wholesale port price of the products and taking into account various factors including logistics and inventory.

Under the Sales Contract, the annual caps for 2014 and the eight months ending 31 August 2015 in respect of the continuing connected transactions between Sinochem Fertilizer and Quanzhou Petrochemical were RMB50,000,000 and RMB100,000,000, respectively.

2) *New Sales Contract of Solid Industrial Sulphur*

On 28 August 2015, Sinochem Fertilizer and Quanzhou Petrochemical entered into the sales contract of solid industrial sulphur ("New Sales Contract"), pursuant to which Sinochem Fertilizer will continue to purchase from Quanzhou Petrochemical solid industrial sulphur products during the period from 1 September 2015 to 31 December 2016 (both days inclusive). It is estimated that the total purchase volume of Sinochem Fertilizer will not exceed 58,000 tonnes. In particular, the purchase volume for the period from 1 September 2015 to 31 December 2015 would be no more than 16,000 tonnes, and the purchase volume for the year ending 31 December 2016 is expected to be no more than 42,000 tonnes. The pricing terms of the New Sales Contract are substantially the same as those of the Sales Contract.

Under the New Sales Contract, the cap amounts for the continuing connected transactions for the period from 1 September 2015 to 31 December 2015 and the year ending 31 December 2016 are RMB20,000,000 and RMB50,000,000, respectively.

Sinochem Fertilizer is an indirect wholly-owned subsidiary of the Company. Quanzhou Petrochemical is an indirect wholly-owned subsidiary of Sinochem Group, which is the ultimate controlling shareholder of the Company. As such, Quanzhou Petrochemical is a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the Sales Contract and the New Sales Contract constitute continuing connected transactions of the Company. Given that the relevant applicable percentage ratios in respect of the annual caps for the continuing connected transactions under the Sales Contract and the New Sales Contract are more than 0.1% but less than 5%, such transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

For detailed information on the aforesaid transactions, please refer to the announcements dated 22 September 2014 and 28 August 2015 published by the Company.

9. The MOU of MCP and MDCP Products between Sinochem Yunlong and PCS Sales

On 5 December 2014, Sinochem Yunlong, an indirect wholly-owned subsidiary of the Company, entered into the MOU with PCS Sales, pursuant to which Sinochem Yunlong would supply MCP and MDCP products to PCS Sales during the period from 1 January 2015 to 31 December 2017 (both days inclusive).

Price of MCP and MDCP products would be mutually agreed by the parties with reference to the international market price on a quarterly basis prior to the beginning of each quarter and no later than 15 days prior to each shipment of the products.

Under the MOU, the annual caps for the three years from 2015 to 2017 in respect of the continuing connected transactions between Sinochem Yunlong and PCS Sales are US$9,000,000, US$9,900,000 and US$10,900,000, respectively.

Sinochem Yunlong is an indirect wholly-owned subsidiary of the Company. Potash Corporation is a substantial shareholder of the Company, and PCS Sales is a wholly-owned subsidiary of Potash Corporation. PCS Sales is therefore a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions under the MOU between Sinochem Yunlong and PCS Sales constitute continuing connected transactions of the Company. Given that the relevant applicable percentage ratios in respect of the annual caps under the MOU are more than 0.1% but less than 5%, such transactions are subjected to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval under the Listing Rules.

For detailed information on the aforesaid transactions, please refer to the announcement dated 9 December 2014 published by the Company.

10. Lease Contract between Sinochem Fertilizer and Chemsunny

On 28 January 2015, Sinochem Fertilizer entered into the Lease Contract with Chemsunny, pursuant to which Sinochem Fertilizer (as the lessee) will continue to lease the office spaces in Chemsunny World Trade Centre from Chemsunny (as the lessor) during the period from 1 January 2015 to 31 December 2017. The rentals and the management fees of the Properties are RMB1,706,615.56 and RMB171,158.13 per month, respectively, payable by Sinochem Fertilizer on a quarterly basis.

The rentals and the management fees of the Properties are determined based on arm's length negotiations between the Group and Chemsunny on the prevailing market rates and on normal commercial terms.

The annual cap (inclusive of the rentals, management fees and utility charges) for the continuing connected transactions under the Lease Contract for each of the three years ending 31 December 2017 is RMB30,000,000.

Sinochem Fertilizer is an indirect wholly-owned subsidiary of the Company. Chemsunny is an indirect non wholly-owned subsidiary of Sinochem Group, which is the ultimate controlling shareholder of the Company. Chemsunny is therefore a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the Lease Contract constitutes continuing connected transactions of the Company. Given that the relevant applicable percentage ratio in respect of the annual caps for the continuing connected transactions under the Lease Contract is more than 0.1% but less than 5%, such transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

For detailed information on the aforesaid transactions, please refer to the announcement dated 28 January 2015 published by the Company.

III. The annual caps approved for and the actual transacted amount of continuing connected transactions of the Group for the year ended 31 December 2015 are set out below:

Name of Transactions			Currency	For the year ended 31 December 2015 Annual Caps ('000)	Annual Transacted Amount ('000)
Continuing Connected Transactions Subject to Independent Shareholders' Approval Requirement					
1.	Sulphur and Other Fertilizer Raw Materials Import Framework Agreement				
	1)	Dohigh Trading supplies sulphur and other fertilizer raw materials to Sinochem Group	USD	120,000	96,577
	2)	Sinochem Fertilizer purchases sulphur and other fertilizer raw materials from Sinochem Group	RMB	900,000	568,703
2.	Sinochem Macao purchases Canadian potash from Canpotex		USD	435,500	226,961
3.	Fertilizer Sales Co-operation Framework Agreement				
	1)	Sinochem Macao supplies fertilizer products to Sinochem Group	USD	1,265,000	1,116,834
	2)	Sinochem Fertilizer purchases fertilizer products from Sinochem Group	RMB	7,796,000	7,343,894
Continuing Connected Transactions Exempted from Independent Shareholders' Approval Requirement but Subject to Reporting, Announcement and Annual Review Requirements					
4.	Sinochem UK provides services to Sinochem Macao		USD	2,300	2,300
5.	Financial Service Framework Agreement				
	1)	Maximum daily outstanding balance of deposits	RMB	360,000	271,369
	2)	Other Financial Services (save for the provision of loans to the Group)	RMB	10,000	2,114
6.	Sinochem Fertilizer purchases from/sells to Sinochem Group certain agrichemical and other related products		RMB	40,000	9,886
7.	Dohigh Trading purchases sulphur and other fertilizer raw materials from Sinochem Group		USD	20,000	2,632
8.	Sinochem Fertilizer purchases from Quanzhou Petrochemical solid industrial sulphur products*		RMB	120,000	22,549
9.	PCS Sales purchases MCP and MDCP products from Sinochem Yunlong		USD	9,000	–
10.	Sinochem Fertilizer leases office spaces from Chemsunny		RMB	30,000	22,952

Note:* this continuing connected transactions covered two transaction periods, namely from 1 January 2015 to 31 August 2015 and from 1 September 2015 to 31 December 2015, which have been separately announced by the Company on 22 September 2014 and 28 August 2015. The transaction caps for these two periods are RMB100,000,000 and RMB20,000,000 respectively, and the actual transacted amounts are RMB22,548,705 and RMB0.

IV. Confirmation from Independent Non-Executive Directors

In the opinion of the Independent Non-executive Directors of the Company, the continuing connected transactions for the year ended 31 December 2015 have been entered into by the Group:

- in the ordinary and usual course of its business;
- on normal commercial terms or better; and
- according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

V. Confirmation from independent auditor in respect of the continuing connected transactions

The Board has received a letter from the independent auditor in respect of the above disclosed continuing connected transactions, which confirmed that:

- nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors;
- for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in accordance with the pricing policies of the Company;
- nothing has come to their attention that causes them to believe that the transactions were not entered into, in accordance with the relevant agreements governing such transactions; and
- with respect to aggregate amount of each of the disclosed continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded that maximum aggregate annual values of relevant amount disclosed in the previous announcements made by the Company.

Contracts of Significance between the Company and the Controlling Shareholder

Sinochem Group is the ultimate controlling shareholder of the Company. The contracts of significance between the Company and/or its subsidiaries with Sinochem Group and/or its subsidiaries are disclosed in details in the section headed "Connected Transactions" in this Directors' Report.

Major Discloseable Events

References are made to the announcements of the Company dated 9 December 2014 and the circular dated 27 January 2015 in relation to the acquisition of 238,791,954 shares in Qinghai Salt Lake by Sinochem Fertilizer. The then independent shareholders of the Company had approved the Acquisition in a special general meeting of the Company held on 12 February 2015. Further, the Acquisition was examined and approved by the State-owned Assets Supervision and Administration Commission of the State Council on 30 June 2015, and all formalities in relation to the registration of share transfer was completed on 9 September 2015. Upon completion of the Acquisition, Sinochem Fertilizer holds 381,052,323 shares in Qinghai Salt Lake, representing 23.95% of its total issued share capital, thus becoming its second largest shareholder as at 9 September 2015.

On 19 October 2015, Sinochem Fertilizer has completed the issue of the first tranche of the short-term commercial paper for the year of 2015 (the "Short-term Commercial Paper") of an amount of RMB2 billion, with a term of one year and at a coupon rate of 3.4% per annum. The proceeds from the issue of the Short-term Commercial Paper will be used to replenish the working capital of Sinochem Fertilizer.

Save for the disclosures as above and in this report, the Company had no other major discloseable events during the year ended 31 December 2015.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Public Float

Based on the information publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained sufficient public float exceeding 25% of its issued share capital throughout the year ended 31 December 2015 and up to the date of this report.

Remuneration Policy

The emoluments of the Directors of the Company are reviewed by the Remuneration Committee of the Company from time to time with reference to the qualifications, responsibilities, experience and performance of the individual Directors, and the operating results of the Group. Details of the remuneration policy of the Group are set out in the "Corporate Governance Report" on page 45 to 46.

Retirement Benefits Scheme

Details of the retirement benefits scheme of the Group are set out in note 39 to the consolidated financial statements.

Housing Funds

The Group strictly complied with the regulations of the relevant region in respect of the contribution to the housing funds for its employees.

Post Balance Sheet Event

There was no significant event occurred after the balance sheet date.

Auditor

KPMG were first appointed as auditors of the Company in 2012 upon the retirement of Deloitte Touche Tohmatsu.

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

For and on behalf of the Board

Ning Gao Ning
Chairman

Hong Kong, 31 March 2016

INDEPENDENT AUDITOR'S REPORT

KPMG

TO THE SHAREHOLDERS OF SINOFERT HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sinofert Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 84 to 167 which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

(Expressed in Renminbi)

	Note	**2015** *RMB'000*	2014 *RMB'000*
Turnover	*4(a)*	**26,121,488**	28,311,086
Cost of sales		**(24,452,400)**	(26,892,985)
Gross profit		**1,669,088**	1,418,101
Other income and gains	*5*	**357,651**	463,436
Selling and distribution expenses		**(772,787)**	(840,871)
Administrative expenses		**(605,332)**	(599,717)
Other expenses and losses		**(105,411)**	(103,997)
Share of results of associates		**32,220**	133,660
Share of results of joint ventures		**48,818**	(55,500)
Finance costs	*6*	**(274,098)**	(142,990)
Profit before taxation	*7*	**350,149**	272,122
Income tax	*8(a)*	**(147,602)**	(136,700)
Profit for the year		**202,547**	135,422
Profit/(Loss) for the year attributable to:			
– Owners of the Company		**220,855**	229,339
– Non-controlling interests		**(18,308)**	(93,917)
		202,547	135,422

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2015
(Expressed in Renminbi)

	Note	**2015** ***RMB'000***	2014 *RMB'000*
Profit for the year		**202,547**	135,422
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**206,898**	4,179
Changes in fair value of available-for-sale investments		**38,554**	(5,591)
Other comprehensive income/(expense) for the year	*9*	**245,452**	(1,412)
Total comprehensive income for the year		**447,999**	134,010
Total comprehensive income/(expense) attributable to:			
– Owners of the Company		**466,307**	227,927
– Non-controlling interests		**(18,308)**	(93,917)
		447,999	134,010
Earnings per share			
Basic (RMB)	*13*	**0.0314**	0.0326
Diluted (RMB)	*13*	**0.0314**	0.0326

The notes on pages 92 to 167 form part of these financial statements. Details of dividends payable to equity shareholders of the Company for the year are set out in note 12.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

(Expressed in Renminbi)

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	14	**3,876,167**	3,783,755
Lease prepayments	15	**513,844**	514,076
Mining rights	16	**643,673**	675,984
Goodwill	17	**829,752**	812,319
Other long-term assets	18	**10,202**	8,783
Interests in associates	19	**11,574,427**	8,359,435
Interests in joint ventures	20	**581,436**	539,965
Available-for-sale investments	21	**519,040**	474,005
Advance payments for acquisition of property, plant and equipment		**29,077**	43,490
Deferred tax assets	31	**44,740**	198,559
		18,622,358	15,410,371
Current assets			
Inventories	22	**6,312,327**	5,948,265
Trade and bills receivables	23	**348,097**	1,276,330
Other receivables and advance payments	24	**1,131,386**	1,248,769
Loans to an associate	25	**670,000**	700,000
Lease prepayments	15	**13,810**	13,159
Other deposits		**1,200**	151,200
Bank balances and cash	26	**639,851**	462,890
		9,116,671	9,800,613
Current liabilities			
Trade and bills payables	27	**5,997,402**	4,628,833
Other payables and receipt in advance	28	**1,993,382**	3,882,756
Interest-bearing borrowings – due within one year	29	**1,583,430**	184,411
Short-term commercial paper	30	**2,000,000**	–
Financial liability		**–**	25,633
Tax liabilities		**11,429**	13,533
		11,585,643	8,735,166
Net current (liabilities)/assets		**(2,468,972)**	1,065,447
Total assets less current liabilities		**16,153,386**	16,475,818

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2015
(Expressed in Renminbi)

		As at 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Non-current liabilities			
Interest-bearing borrowings			
– due after one year	*29*	**2,690,835**	2,688,485
Deferred income		**107,125**	115,788
Deferred tax liabilities	*31*	**234,669**	246,755
Other long-term liabilities		**44,836**	42,502
		3,077,465	3,093,530
NET ASSETS		**13,075,921**	13,382,288
CAPITAL AND RESERVES			
Issued equity	*32*	**8,267,384**	8,267,384
Reserves		**4,759,933**	5,047,992
Total equity attributable to owners of the Company		**13,027,317**	13,315,376
Non-controlling interests		**48,604**	66,912
TOTAL EQUITY		**13,075,921**	13,382,288

The consolidated financial statements on pages 84 to 167 were approved and authorized for issue by the board of directors on 31 March 2016 and are signed on its behalf by:

Ning Gao Ning
Director

Wang Hong Jun
Director

The notes on pages 92 to 167 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

(Expressed in Renminbi)

	Attributable to owners of the Company								Non-Controlling interests	Total Equity
	Issued equity	Capital and other reserve	Statutory reserve	Investment revaluation reserve	Special reserve	Exchange reserve	Retained profits	Total		
	RMB'000	*RMB'000* *(note a)*	*RMB'000* *(note b)*	*RMB'000*	*RMB'000* *(note c)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2014	8,267,384	732,329	366,484	16,444	92,705	(844,466)	4,456,569	13,087,449	205,528	13,292,977
Profit/(Loss) for the year	–	–	–	–	–	–	229,339	229,339	(93,917)	135,422
Other comprehensive income/ (expense) for the year	–	–	–	(5,591)	–	4,179	–	(1,412)	–	(1,412)
Total comprehensive income/ (expense) for the year	–	–	–	(5,591)	–	4,179	229,339	227,927	(93,917)	134,010
Maintenance and production fund *(note c)*	–	–	–	–	(22,433)	–	22,433	–	–	–
Deregistration of subsidiaries	–	–	–	–	–	–	–	–	(44,699)	(44,699)
Balance at 31 December 2014 and 1 January 2015	**8,267,384**	**732,329**	**366,484**	**10,853**	**70,272**	**(840,287)**	**4,708,341**	**13,315,376**	**66,912**	**13,382,288**
Profit/(Loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**220,855**	**220,855**	**(18,308)**	**202,547**
Other comprehensive income for the year	**–**	**–**	**–**	**38,554**	**–**	**206,898**	**–**	**245,452**	**–**	**245,452**
Total comprehensive income/ (expense) for the year	**–**	**–**	**–**	**38,554**	**–**	**206,898**	**220,855**	**466,307**	**(18,308)**	**447,999**
Maintenance and production fund *(note c)*	**–**	**–**	**–**	**–**	**(15,804)**	**–**	**15,804**	**–**	**–**	**–**
Dividends approved in respect of the previous year	**–**	**–**	**–**	**–**	**–**	**–**	**(59,415)**	**(59,415)**	**–**	**(59,415)**
Dilution in relation to deemed disposal of interest in an associate *(note 19)*	**–**	**(694,951)**	**–**	**–**	**–**	**–**	**–**	**(694,951)**	**–**	**(694,951)**
Balance at 31 December 2015	**8,267,384**	**37,378**	**366,484**	**49,407**	**54,468**	**(633,389)**	**4,885,585**	**13,027,317**	**48,604**	**13,075,921**

Notes:

a. Capital and other reserve comprises the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of shares issued by the holding companies as consideration for the Group restructuring transactions in previous years; contributions from/distributions to the ultimate holding company, Sinochem Group ("Sinochem Group", established in the People's Republic of China (the "PRC")); the difference between the carrying amount of non-controlling interests acquired and the fair value of consideration paid and the share of the investee's net assets changes, other than profit or loss or other comprehensive income and distributions received.

b. Statutory reserve comprises reserve fund and enterprise expansion fund. In accordance with relevant rules and regulations on foreign investment enterprise established in the PRC, the Company's PRC subsidiaries are required to transfer a portion of their profit after income tax to the reserve fund, until the accumulated amount of the fund reaches 50% of their registered capital. The appropriation to the enterprise expansion fund is solely determined by the board of directors of the subsidiaries in the PRC. Reserve fund and enterprise expansion fund may be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors.

c. Special reserve comprises the fund received which can only be utilized for energy saving and emission reduction projects, and the maintenance and production fund appropriated/utilized in accordance to relevant PRC regulations on certain enterprises.

The notes on pages 92 to 167 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

(Expressed in Renminbi)

	2015 *RMB'000*	2014 *RMB'000*
Operating activities		
Profit before taxation	**350,149**	272,122
Adjustments for:		
Share of results of associates	**(32,220)**	(133,660)
Share of results of joint ventures	**(48,818)**	55,500
Dividend income from available-for-sale investments	**(3,044)**	(3,042)
Write-off of payables	**(7,450)**	(11,744)
Release of deferred income	**(10,763)**	(9,668)
Interest income	**(138,488)**	(98,576)
Interest income from an associate	**(41,891)**	(48,277)
Finance costs	**274,098**	142,990
Loss on disposal of an associate	**57**	–
Gain on disposal of an available-for-sale investment	**–**	(106,754)
Gain on disposal of a subsidiary	**–**	(1,881)
Depreciation of property, plant and equipment	**300,494**	297,657
Impairment loss on property, plant and equipment	**28,216**	7,498
Loss on disposal of property, plant and equipment	**358**	4,786
Release of lease prepayments	**13,203**	12,121
Amortization of mining rights	**32,311**	32,625
Amortization of other long-term assets	**5,664**	6,533
Write-down of trade receivables	**5,735**	477
Write-down of other receivables and advanced payments	**13,511**	–
Reversal of collectible receivables	**(9,488)**	(10,800)
Write-down of inventories	**34,885**	26,755
Changes in fair value of the financial liability	**(25,633)**	25,587
Operating cash flows before movements in working capital	**740,886**	460,249
Increase in inventories	**(362,642)**	(1,580,978)
Decrease/(Increase) in trade and bills receivables	**1,133,457**	(20,362)
Decrease in other receivables and advance payments	**126,621**	131,615
Increase in deferred income	**2,100**	3,000
Increase in trade and bills payables	**1,290,849**	2,011,497
(Decrease)/Increase in other payables and receipt in advance	**(1,911,894)**	515,408
Cash generated from operations	**1,019,377**	1,520,429
Income tax paid	**(7,973)**	(13,189)
Net cash generated from operating activities	**1,011,404**	1,507,240

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Investing activities			
Purchase of property, plant and equipment		(397,132)	(800,082)
Additions of lease prepayments		–	(19,118)
Proceeds from disposals of property, plant and equipment		2,871	8,292
Acquisition of other long-term assets		(7,083)	(6,306)
Acquisition of interests in an associate		(3,903,420)	–
Placement of other deposits		(18,407,000)	(16,133,600)
Proceeds from withdrawal of other deposits		18,557,000	16,654,200
Collection of loan to an associate		30,000	187,000
Interest received		138,488	98,576
Interest received from an associate		41,891	37,653
Dividends received from associates		12,685	10,972
Dividends received from joint ventures		7,347	4,821
Dividends received from available-for-sale investments		3,044	3,042
Proceeds from disposal of an associate		12,825	–
Deregistration of subsidiaries		–	(44,699)
Net cash (used in)/generated from investing activities		(3,908,484)	751
Financing activities			
Repayment of borrowings		(6,948,815)	(11,094,442)
Proceeds from new borrowings		8,347,834	9,852,401
Proceeds from short-term commercial paper		2,000,000	–
Interests paid		(273,314)	(166,597)
Dividends paid		(59,415)	–
Net cash generated from/(used in) financing activities		3,066,290	(1,408,638)
Net increase in cash and cash equivalents		169,210	99,353
Cash and cash equivalents at 1 January	26	462,890	363,782
Effect of foreign exchange rate changes		7,751	(245)
Cash and cash equivalents at 31 December	26	639,851	462,890

The notes on pages 92 to 167 form part of these financial statements.

1 GENERAL

Sinofert Holdings Limited (the "Company", together with its subsidiaries hereinafter collectively referred to as the "Group") is a limited company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Sinochem Hong Kong (Group) Company Limited (incorporated in Hong Kong) and its ultimate holding company is Sinochem Group. The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is Units 4601-4610, 46th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The Group is mainly engaged in manufacturing and selling of fertilizers and related products. Details of the Company's principal subsidiaries are set out in note 38.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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. These 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"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

As at 31 December 2015, the Group's current liabilities exceeded its current assets by approximately RMB2.47 billion. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. Considering the Company's sources of liquidity and the unutilized banking facilities of approximately RMB20.17 billion as at 31 December 2015, the directors of the Company believe that adequate funding is available to fulfill the Group's debt obligations and capital expenditure requirements when preparing the financial statements for the year ended 31 December 2015. Accordingly, the financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

The consolidated financial statements for the year ended 31 December 2015 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 (see note 2(g)).

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 preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- *Annual improvement to HKFRSs 2010-2012 Cycle*
- *Annual improvement to HKFRSs 2011-2013 Cycle*

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Annual improvement to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual improvements to HKFRSs 2012-2014 cycle	1 January 2016
Amendments to HKAS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	1 January 2016
Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to HKAS 1, *Disclosure initiative*	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 16, *Lease*	1 January 2019

The Group will adopt the relevant amendments and new standards in the subsequent periods as required. The Group is in the process of making an assessment of what the impact of these amendments and new standards are expected to be in the period of initial application.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions, and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group choose to measure any non-controlling interests at fair value of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(m)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(f) and 2(m)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are included in the Group's consolidated profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associates or the joint ventures, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealized profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures (continued)

A decrease in interest in an equity-accounted investee while maintaining equity accounting can result from a dilution. The Group's policy is to recognize any gain or loss on dilution directly in equity, except when impairment indicators exist then the Group first assesses and recognizes any impairment loss in accordance with the accounting policies described in note 2(m). The directors have adopted this policy in order to be consistent with Accounting Standards for Business Enterprises ("ASBEs") No. 2, *Long-term Equity Investments*, together with the accompanying application guidance issued by the Ministry of Finance of the PRC, since all of the operations of the Group are substantially located in China, ASBEs are substantially converged with HKFRSs and HKAS 28, *Investments in Associates and Joint Ventures*, is silent on this particular matter and does not preclude the adoption of ABSEs on this particular matter.

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(m)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognized in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognized in profit or loss. The net gain or loss recognized in profit or loss does not include any dividends or interest earned on these investments as these are recognized in accordance with the policies set out in note 2(v)(iii) and 2(v)(iv).

Dated debt securities that the Group have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortized cost less impairment losses (see note 2(m)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognized in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognized in the statement of financial position at cost less impairment losses (see note 2(m)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognized in profit or loss in accordance with the policies set out in notes 2(v)(iii) and 2(v)(iv), respectively. Foreign exchange gains and losses resulting from changes in the amortized cost of debt securities are also recognized in profit or loss.

When the investments are derecognized or impaired (see note 2(m)), the cumulative gain or loss recognized in equity is reclassified to profit or loss. Investments are recognized/derecognized on the date the Group commits to purchase/sell the investments or they expire.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(m)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(x)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives other than mining structures.

Mining structures (including the main and auxiliary mine shafts and underground tunnels) are depreciated on the units of production method utilizing only recoverable reserves as the depletion base.

The estimated useful lives of property, plant and equipment are as follows:

Category	Years of depreciation
Buildings	20-30 years
Plant, machinery and equipments	10-14 years
Motor vehicles	8 years
Furniture and fixtures	4 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 2(m)). Cost comprises direct costs of construction as well as interest expense capitalized during the periods of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Mining rights

Mining rights are stated at cost less accumulated amortization and impairment losses (see note 2(m)) and are amortized based on the units of production method utilizing only recoverable reserves as the depletion base.

(k) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as a lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as a lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

(l) Lease prepayments and other long-term assets

Lease prepayments represent land use rights under operating leases paid to the relevant government authorities. Land use rights are carried at cost less the accumulated amount charged to expense and impairment losses (see note 2(m)). The cost of lease prepayments is charged to expenses on a straight-line base over the respective periods of the rights.

Other long-term assets mainly represent activators held for use in the production of goods which are stated at cost less subsequent accumulated amortization and accumulated impairments losses. Amortization is provided using the straight-line method.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortized cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganization;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognized as follows:

– For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(m)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(m)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

– For trade and other current receivables and other financial assets carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

– For available-for-sale securities, the cumulative loss that has been recognized in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that asset previously recognized in profit or loss.

Impairment losses recognized in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognized in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of trade debtors and bills receivable, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

– property, plant and equipment;

– lease prepayments;

– mining rights;

– other long-term assets; and

– goodwill

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(m)(i) and 2(m)(ii)).

Impairment losses recognized in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognized had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognized in other comprehensive income and not profit or loss.

(n) Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is calculated using the moving weighted-average method, and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(m)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(q) Trade and other payables

Trade and other payables are initially recognized at fair value. Trade and other payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(s) Employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(u) Provisions and contingent liabilities

Provisions are recognized for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Sale of goods

Revenue is recognized when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

(iii) Dividends

– Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognized when the share price of the investment goes ex-dividend.

(iv) Interest income

Interest income is recognized as it accrues using the effective interest method.

(v) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is apart, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies which are described in note 2, the directors of the Company has made judgments, estimates and assumptions concerning the future that have a significant risk of material adjustments on the amounts recognized in the consolidated financial statements within the next financial year.

Impairment of inventories

Determining whether inventories are impaired requires an estimation of its net realizable value. Net realizable value of inventories is the expected selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. These estimates could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycles. The directors of the Company reassess these estimates at the end of each reporting period. As at 31 December 2015, the carrying amount of inventories is RMB6,312,327,000 (2014: RMB5,948,265,000).

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Group's technological experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimations.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of goodwill is RMB829,752,000 (2014: RMB812,319,000). Details of the recoverable amount calculation are disclosed in note 17.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Value-in-use estimation of interest in associates

The directors review both external and internal information to assess whether there are indications of possible impairment in interests in associates at the end of each reporting period. Should the indicators exist, the Group will determine the recoverable amount of the relevant interests, being the higher of fair value less costs of disposal or value-in-use. When value-in-use estimations are undertaken, management has to estimate the future cash flows expected from those interests and use suitable discount rates that are commensurate with the risks inherent in those cash flows. Uncertainty about any assumptions and estimates made in this connection could result in outcomes that may require a material adjustment to the carrying amount of interest in associates within the next financial year.

4 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:

	2015 ***RMB'000***	2014 *RMB'000*
Potash Fertilizer	**5,846,791**	6,242,557
Nitrogen Fertilizer	**6,481,523**	7,753,464
Compound Fertilizer	**6,485,623**	5,441,242
Phosphate Fertilizer	**5,678,588**	6,941,815
MCP/MDCP	**776,999**	721,969
Others	**851,964**	1,210,039
	26,121,488	28,311,086

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 ("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

4 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. 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, interest-bearing borrowings, short-term commercial paper and other unallocated liabilities.

4 SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

2015

	Marketing *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue				
External revenue	24,338,972	1,782,516	–	26,121,488
Internal revenue	1,321,926	3,618,542	(4,940,468)	–
Segment revenue	25,660,898	5,401,058	(4,940,468)	26,121,488
Segment gross profit	1,096,495	572,593	–	1,669,088
Segment profit/(loss)	534,937	(2,047)	–	532,890
Share of results of associates	1,003	31,217	–	32,220
Share of results of joint ventures	3,070	45,748	–	48,818
Unallocated expenses				(87,329)
Unallocated income				97,648
Finance costs				(274,098)
Profit before taxation				350,149
Assets				
Segment assets	7,644,690	6,541,244	–	14,185,934
Interests in associates	4,218	11,570,209	–	11,574,427
Interests in joint ventures	58,256	523,180	–	581,436
Available-for-sale investments				519,040
Deferred tax assets				44,740
Other unallocated assets				833,452
Consolidated total assets				27,739,029
Liabilities				
Segment liabilities	6,859,177	1,218,067	–	8,077,244
Deferred tax liabilities				234,669
Interest-bearing borrowings				4,274,265
Short-term commercial paper				2,000,000
Other unallocated liabilities				76,930
Consolidated total liabilities				14,663,108

4 SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

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
Interest-bearing borrowings				2,872,896
Other unallocated liabilities				56,041
Consolidated total liabilities				11,828,696

4 SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Other segment information

2015

	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	20,563	424,478	5	445,046
Write-down of trade receivables	–	(5,735)	–	(5,735)
Write-down of other receivables and advanced payments	–	(13,511)	–	(13,511)
Reversal of collectible receivables	–	9,488	–	9,488
Impairment loss on property, plant and equipment	–	(28,216)	–	(28,216)
Depreciation and amortization	(10,655)	(327,800)	(14)	(338,469)
Release of lease prepayments	–	(13,203)	–	(13,203)
Write-down of inventories	(31,255)	(3,630)	–	(34,885)
Loss on disposal of property, plant and equipment	(73)	(285)	–	(358)
Write-off of payables	4,256	3,194	–	7,450

4 SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Other segment information (continued)

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 lease prepayments	–	(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

4 SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(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 available-for-sale investments and deferred tax assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2015	2014	**2015**	2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC	**24,564,894**	27,110,559	**18,054,864**	14,721,377
Others	**1,556,594**	1,200,527	**3,714**	16,430
	26,121,488	28,311,086	**18,058,578**	14,737,807

5 OTHER INCOME AND GAINS

	Note	2015 RMB'000	2014 RMB'000
Rental income		**5,197**	3,727
Dividend income from available-for-sale investments	*a*	**3,044**	3,042
Interest income		**138,488**	98,576
Interest income from an associate		**41,891**	48,277
Government grants	*b*	**26,733**	23,836
Foreign exchange gain		**43,416**	56,581
Sales of semi-product, raw materials and scrapped materials		**8,400**	37,529
Release of deferred income		**10,763**	9,668
Insurance claims received		**43,061**	18,382
Write-off of payables		**7,450**	11,744
Gain on disposal of a subsidiary		**–**	1,881
Gain on disposal of an available-for-sale investment		**–**	106,754
Others		**29,208**	43,439
		357,651	463,436

Notes:

a. Amount represents dividend income from listed investments of RMB3,044,000 (2014: RMB3,042,000) and the Group did not receive any dividend income from unlisted investments (2014: nil).

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

6 FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest on borrowings	**298,182**	142,990
Less: interest expense capitalized *(note)*	**(24,084)**	–
	274,098	142,990

Note: The capitalization rates used to determine the amount of borrowing costs eligible for capitalization related to construction of production lines are 5.45% (2014: nil) for the year ended 31 December 2015.

7 PROFIT BEFORE TAXATION

	Note	2015 RMB'000	2014 RMB'000
Director's emoluments	10	7,398	8,974
Other staff benefits	a	663,608	623,382
Total employee benefits expenses		671,006	632,356
Depreciation of property, plant and equipment		300,494	297,657
Release of lease prepayments		13,203	12,121
Amortization of mining rights		32,311	32,625
Amortization of other long-term assets		5,664	6,533
Auditors' remuneration		4,250	4,250
Operating lease charge – minimum lease payments	b	46,006	45,560
Loss on disposal of property, plant and equipment		358	4,786
Loss on disposal of an associate		57	–
Write-down of trade receivables		5,735	477
Write-down of other receivables and advanced payments		13,511	–
Write-down of inventories	c	34,885	26,755
Impairment loss on property, plant and equipment		28,216	7,498
Reversal of collectible receivables		(9,488)	(10,800)

Notes:

a. Contribution to retirement benefits scheme included in other staff benefits for the year ended 31 December 2015 is RMB73,249,000 (2014: RMB69,094,000).

b. Minimum lease payments under operating lease in respect of retail outlets, offices and warehouses.

c. During the year ended 31 December 2015, write-down of inventories amounting to approximately RMB34,885,000 (2014: RMB26,755,000) is recorded and recognized in other expenses and losses. Such write-down is related to inventories on hand (see note 22) as at the end of reporting period.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2015 RMB'000	2014 RMB'000
Provision for the year		
PRC Enterprise Income Tax	**(3,216)**	(8,319)
(Under)/Over-provision in prior years		
Hong Kong Profits Tax	**–**	49
PRC Enterprise Income Tax	**(2,653)**	(2,141)
Deferred tax		
Origination and reversal of temporary differences	**(141,733)**	(126,289)
	(147,602)	(136,700)

(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 2015 is calculated at 16.5% (2014: 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.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2015 *RMB'000*	2014 *RMB'000*
Profit before taxation	**350,149**	272,122
Tax calculated at the applicable tax rate of 25%	**(87,537)**	(68,030)
Effect of different income tax rates	**50,009**	41,875
Tax effect of non-deductible expenses	**(9,850)**	(30,009)
Tax effect of non-taxable income	**407**	619
Tax effect of share of results of associates	**8,055**	33,415
Tax effect of share of results of joint ventures	**12,205**	(13,875)
Effect of prior year's tax losses and deductible temporary differences utilized during the year	**4,881**	2,830
Effect of tax losses and deductible temporary difference not recognized	**(24,211)**	(56,164)
Tax effect of write-down of deferred tax assets recognized in previous years *(note 31(a))*	**(98,908)**	(45,269)
Under-provision in prior years	**(2,653)**	(2,092)
Income tax expense for the year	**(147,602)**	(136,700)

9 OTHER COMPREHENSIVE INCOME/(EXPENSE)

The components of other comprehensive income/(expense) do not have any significant tax effect for the years ended 31 December 2015 and 2014.

10 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

2015

	Fees RMB'000	Salaries and other benefits RMB'000	Performance related incentive payments RMB'000 (note a)	Retirement benefits scheme contribution RMB'000	Total RMB'000
Chairman					
Mr. LIU De Shu *(note c)* (resigned on 8 March 2016)	–	–	–	–	–
Executive directors					
Mr. WANG Hong Jun	–	1,664	1,514	44	3,222
Mr. Harry YANG *(note b)*	–	1,917	1,067	44	3,028
Non-executive directors					
Mr. YANG Lin *(note c)*	–	–	–	–	–
Dr. Stephen Francis DOWDLE *(note c)*	–	–	–	–	–
Ms. XIANG Dan Dan *(note c)*	–	–	–	–	–
Independent non-executive directors					
Mr. KO Ming Tung, Edward	437	–	–	–	437
Mr. LU Xin (appointed on 26 February 2015)	264	–	–	–	264
Mr. TSE Hau Yin, Aloysius	447	–	–	–	447
	1,148	3,581	2,581	88	7,398

10 DIRECTORS' EMOLUMENTS (CONTINUED)

2014

	Fees *RMB'000*	Salaries and other benefits *RMB'000*	Performance related incentive payments *RMB'000* *(note a)*	Retirement benefits scheme contribution *RMB'000*	Total *RMB'000*
Chairman					
Mr. LIU De Shu *(note c)*	–	–	–	–	–
Executive directors					
Mr. WANG Hong Jun (appointed on 7 March 2014)	–	1,457	1,735	33	3,225
Mr. FENG Zhi Bin (resigned on 7 March 2014)	–	481	520	9	1,010
Mr. Harry YANG *(note b)*	–	2,047	1,482	40	3,569
Non-executive directors					
Mr. YANG Lin *(note c)*	–	–	–	–	–
Dr. Stephen Francis DOWDLE *(note c)*	–	–	–	–	–
Ms. XIANG Dan Dan *(note c)*	–	–	–	–	–
Independent non-executive directors					
Mr. KO Ming Tung, Edward	368	–	–	–	368
Dr. TANG Tin Sek (passed away on 2 December 2014)	368	–	–	–	368
Mr. TSE Hau Yin, Aloysius	434	–	–	–	434
	1,170	3,985	3,737	82	8,974

Notes:

a. The performance related incentive payments were determined with reference to the operating results of the Group, individual performance and relevant comparable market statistics during the year ended 31 December 2015 and 2014.

b. During the year ended 31 December 2015, the Group paid approximately RMB1,441,000 as salaries and other benefits (2014: approximately RMB1,574,000) and paid approximately RMB476,000 rental for housing (2014: approximately RMB473,000) of Mr. Harry Yang, all of which are included in salaries and other benefits.

c. Mr. Liu De Shu, Mr. Yang Lin, Dr. Stephen Francis Dowdle and Ms. Xiang Dan Dan, being Non-executive Directors of the Company, had agreed to waive their director's fee of HK$385,000 each (equivalent to approximately RMB313,000) for the year ended 31 December 2015.

   Directors' fee waived by Mr. Liu De Shu, Mr. Yang Lin, Dr. Stephen Francis Dowdle and Ms. Xiang Dan Dan were HK$385,000 each (equivalent to approximately RMB303,000) for the year ended 31 December 2014.

11 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2014: two) were directors of the Company, whose emoluments are disclosed in note 10. The emoluments of the remaining three (2014: three) individuals were as follows:

	2015 *RMB'000*	2014 *RMB'000*
Salaries and other benefits	2,142	2,032
Performance related incentive payment	1,916	2,119
Retirement benefits scheme contribution	132	119
	4,190	4,270

The emoluments were within the following bands:

	2015 *Number of individuals*	2014 *Number of individuals*
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	3	2
HK$2,000,001 to HK$2,500,000	–	1
HK$2,500,001 to HK$3,000,000	–	–
HK$3,000,001 to HK$3,500,000	–	–
	3	3

12 DIVIDENDS

	2015 RMB'000	2014 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.0104, equivalent to approximately RMB0.0082 per share (2014: nil)	**59,415**	–
Proposed final dividend of HK$0.0097, equivalent to approximately RMB0.0081 per share (2014: Proposed final dividend of HK$0.0104, equivalent to approximately RMB0.0082 per share)	**56,898**	57,633

13 EARNINGS PER SHARE

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

	2015 RMB'000	2014 RMB'000
Earnings		
Earnings for the purpose of basic/diluted earnings per share	**220,855**	229,339

	2015 '000 shares	2014 '000 shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic/diluted earnings per share	**7,024,456**	7,024,456

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant, machinery and equipments RMB'000	Motor vehicles RMB'000	Furniture & fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2014	1,826,384	2,191,625	88,473	279,711	466,603	4,852,796
Exchange realignment	17	–	7	–	–	24
Additions	12,428	24,106	6,704	6,375	741,195	790,808
Transfer from construction in progress	84,628	42,518	–	30,281	(157,427)	–
Disposals	(24,888)	(47,657)	(12,693)	(6,374)	–	(91,612)
At 31 December 2014	1,898,569	2,210,592	82,491	309,993	1,050,371	5,552,016
At 1 January 2015	1,898,569	2,210,592	82,491	309,993	1,050,371	5,552,016
Exchange realignment	182	–	81	168	–	431
Additions	13,571	22,221	6,785	7,998	373,766	424,341
Transfer from construction in progress	26,154	22,571	–	4,058	(52,783)	–
Disposals	–	(2,006)	(8,505)	(4,867)	–	(15,378)
At 31 December 2015	**1,938,476**	**2,253,378**	**80,852**	**317,350**	**1,371,354**	**5,961,410**
Depreciation and impairment						
At 1 January 2014	(397,697)	(956,821)	(39,451)	(146,645)	–	(1,540,614)
Exchange realignment	(17)	–	(7)	–	–	(24)
Charge for the year	(85,062)	(186,350)	(9,934)	(16,311)	–	(297,657)
Impairment loss	(34)	(7,420)	–	(44)	–	(7,498)
Disposals	14,976	47,524	9,939	5,093	–	77,532
At 31 December 2014	(467,834)	(1,103,067)	(39,453)	(157,907)	–	(1,768,261)
At 1 January 2015	(467,834)	(1,103,067)	(39,453)	(157,907)	–	(1,768,261)
Exchange realignment	(182)	–	(80)	(159)	–	(421)
Charge for the year	(84,203)	(189,329)	(9,288)	(17,674)	–	(300,494)
Impairment loss	(14,681)	(13,535)	–	–	–	(28,216)
Disposals	–	1,185	6,627	4,337	–	12,149
At 31 December 2015	**(566,900)**	**(1,304,746)**	**(42,194)**	**(171,403)**	**–**	**(2,085,243)**
Net book value						
At 31 December 2015	**1,371,576**	**948,632**	**38,658**	**145,947**	**1,371,354**	**3,876,167**
At 31 December 2014	1,430,735	1,107,525	43,038	152,086	1,050,371	3,783,755

Certain property, plant and equipment were pledged to secure banking facilities granted to the Group as disclosed in note 29(c).

15 LEASE PREPAYMENTS

At the end of reporting period, the Group's lease prepayments comprise:

	2015 *RMB'000*	2014 *RMB'000*
Cost		
At 1 January	**662,469**	643,531
Additions	**13,622**	19,118
Disposals	**–**	(180)
At 31 December	**676,091**	662,469
Accumulated amortization		
At 1 January	**(135,234)**	(123,147)
Charge for the year	**(13,203)**	(12,121)
Disposals	**–**	34
At 31 December	**(148,437)**	(135,234)
Net book value		
At 31 December	**527,654**	527,235
Analysis for reporting purposes as		
Current assets	**13,810**	13,159
Non-current assets	**513,844**	514,076
	527,654	527,235

16 MINING RIGHTS

	2015 RMB'000	2014 RMB'000
Cost		
At 1 January	768,140	766,700
Addition	–	1,440
At 31 December	768,140	768,140
Accumulated amortization		
At 1 January	(92,156)	(59,531)
Charge for the year	(32,311)	(32,625)
At 31 December	(124,467)	(92,156)
Net book value		
At 31 December	643,673	675,984

17 GOODWILL

	2015 RMB'000	2014 RMB'000
Cost		
At 1 January	812,319	811,356
Exchange adjustments	17,433	963
Carrying amount		
At 31 December	829,752	812,319

17 GOODWILL (CONTINUED)

Impairment testing on goodwill

For the purposes of impairment testing, goodwill has been allocated to the cash-generating units ("CGUs") of the related segments as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Marketing	**265,823**	249,749
Production		
– Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong")	**531,074**	531,074
– Others	**32,855**	31,496
	829,752	812,319

The recoverable amounts of these CGUs have been determined on the basis of value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rate and expected changes to revenue and direct costs used in the cash flow forecasts. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market. The directors of the Company estimate discount rates using pre-tax rates that reflect current market assessment of the time value of money and the risks specific relating to the CGUs. Cash flow forecasts of each CGU are derived from financial budgets of 2016 approved by the directors of the Company. The growth rates for the first 3 years from 2016 are based on the relevant CGUs past performance and management's expectation for the market development and for the following years are based on steady growth rates.

The key assumptions used in the value in use calculation for related CGUs include:

	Marketing	**Production**
Discount rate	7.68%	13%
Average growth rate for the first three years from 2016	9.33%	16.94%
Steady growth rate for the following years	6.80%	3%

The value in use calculated is higher than the carrying amount for each CGU, accordingly, no impairment of goodwill was recognized for the year ended 31 December 2015.

18 OTHER LONG-TERM ASSETS

	2015 RMB'000	2014 RMB'000
Cost		
At 1 January	**34,679**	29,813
Additions	**7,083**	4,866
At 31 December	**41,762**	34,679
Accumulated amortization		
At 1 January	**(25,896)**	(19,363)
Charge for the year	**(5,664)**	(6,533)
At 31 December	**(31,560)**	(25,896)
Net book value		
At 31 December	**10,202**	8,783

Other long-term assets have estimated useful lives ranging from 2 years to 10 years. The costs are amortized on a straight-line basis over their respective estimated useful lives.

19 INTERESTS IN ASSOCIATES

	2015 RMB'000	2014 RMB'000
At the end of reporting period, cost of investment in associates:		
– Listed in the PRC	**4,886,066**	1,009,046
– Unlisted	**391,429**	404,310
Goodwill	**5,122,018**	5,790,569
Share of profits, net of dividends	**1,174,914**	1,155,510
	11,574,427	8,359,435
Fair value of listed investments	**9,785,424**	3,087,050

All of the associates are accounted for using the equity method in the consolidated financial statements.

(Expressed in RMB unless otherwise indicated)

19 INTERESTS IN ASSOCIATES (CONTINUED)

As at 31 December 2015 and 2014, the associates of the Group are mainly listed below:

Name of entites	Form of business structure	Place/country of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital/ registered capital held by the Group		Proportion of voting power held		Principal activity
					2015	2014	2015	2014	
Qinghai Salt Lake Industry Co., Ltd. ("Qinghai Salt Lake") 青海鹽湖工業股份有限公司	Incorporated	The PRC	The PRC	Ordinary	20.52%	8.94%	20.52%(*)	23.95%	Production and sales of fertilizers
Guizhou Xinxin Chemical Group Co., Ltd. ("Xinxin Group") 貴州鑫新化工集團有限公司	Incorporated	The PRC	The PRC	Ordinary	30%	30%	30%	30%	Production and sales of phosphate rock
Guizhou Xinxin Coal Chemical Co., Ltd. ("Xinxin Chemical") 貴州鑫新煤化工有限責任公司	Incorporated	The PRC	The PRC	Ordinary	30%	30%	30%	30%	Production and sales of coal
Qinghai Ganghua Logistics Co., Ltd. 青島港華物流有限公司	Incorporated	The PRC	The PRC	Ordinary	25%	25%	25%	25%	Logistics services
Yangmei Pingyuan Chemical Co., Ltd. ("Yangmei Pingyuan") 陽煤平原化工有限公司	Incorporated	The PRC	The PRC	Ordinary	36.75%	36.75%	36.75%	36.75%	Production and sales of fertilizers

* On 27 April 2015, Sinochem Fertilizer Co., Ltd. ("Sinochem Fertilizer", a subsidiary of the Group) entered into a share transfer agreement with Sinochem Corporation, pursuant to which Sinochem Fertilizer acquired 238,791,954 issued shares of Qinghai Salt Lake, representing 15.01% of its total issued share capital, at a total consideration of approximately RMB3,903,420,000 (the "Acquisition"). The Acquisition was completed on 9 September 2015. Upon completion of the Acquisition, Sinochem Fertilizer held 381,052,323 shares in Qinghai Salt Lake, representing 23.95% of its total issued share capital, thus becoming its second largest shareholder as at 9 September 2015.

Pursuant to the approval of China Securities Regulatory Commission on 16 November 2015, Qinghai Salt Lake issued 266,884,531 new shares to certain minority shareholders (the "Offering"), which was completed on 28 December 2015. Since Sinochem Fertilizer did not participate in the Offering, the transaction resulted in the dilution of the Group's interest in Qinghai Salt Lake from 23.95% to 20.52% on 28 December 2015. Upon the completion of the Offering, the Group's share of the net assets of Qinghai Salt Lake decreased by approximately RMB694,951,000.

19 INTERESTS IN ASSOCIATES (CONTINUED)

Consistent with the accounting policies described in note 2(e), the directors first re-assessed the recoverable amount of the interest in Qinghai Salt Lake. The recoverable amount was estimated with reference to the investment's value-in-use, which is derived by estimating the Group's share of the present value of the estimated future cash flows expected to be generated by Qinghai Salt Lake, including the cash flows from the operations and the proceeds from the ultimate disposal of the interest. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rate and expected changes to revenue and direct costs used in the cash flow forecasts. Changes in revenue and direct costs are based on historical experience and expectations of future changes in the market. The directors of the Company estimated discount rates using pre-tax rates that reflect current market assessment of the time value of money and the risks specific relating to Qinghai Salt Lake. The key assumptions used in the value-in-use calculation for Qinghai Salt Lake include the point in time of the chemical production lines are ready for use, the expected utilization rate of the chemical production lines and the estimated discount rates which ranged from 10.2% to 13.9%.

Since the value-in-use of Qinghai Salt Lake is higher than its carrying amount, the directors of the Company are of the opinion that no impairment was necessary in respect of the interest in Qinghai Salt Lake as at 31 December 2015. Therefore pursuant to the accounting policies described in note 2(e), the Group recorded and recognized the decrease in its share of the net assets of Qinghai Salt Lake in capital and other reserve.

Summarized financial information of the individually material associate and reconciled to the carrying amount in the consolidated financial statements is disclosed below:

	Qinghai Salt Lake	
	2015	2014
	RMB'000	*RMB'000*
Gross amount of the associate		
Current assets	**16,818,479**	10,804,138
Non-current assets	**71,000,252**	61,099,115
Current liabilities	**(20,131,769)**	(14,331,025)
Non-current liabilities	**(37,148,410)**	(32,795,183)
Equity	**30,538,552**	24,777,045
– attributable to shareholders of the associate	**28,967,012**	23,166,450
– attributable to non-controlling interests	**1,571,540**	1,610,595
Revenue	**10,882,222**	10,446,242
Profit attributable to shareholders of the associate	**129,940**	1,063,770
Dividend received from the associate	**12,234**	9,531
Reconciled to the Group's interests in the associate		
Gross amounts of the net assets of the associate	**28,967,012**	23,166,450
Group's effective interest	**20.52%**	8.94%
Group's share of the net assets of the associate	**5,944,031**	2,071,081
Goodwill	**5,122,018**	5,790,569
Carrying amount in the consolidated financial statements	**11,066,049**	7,861,650

19 INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material:

	2015 RMB'000	2014 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**508,378**	497,785
Aggregate amounts of the Group's share of those associates'		
Profit from continuing operation	**24,056**	38,559
Total comprehensive income	**24,056**	38,559

20 INTERESTS IN JOINT VENTURES

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Unlisted shares, at cost	**488,793**	488,793
Share of profits, net of dividends	**92,643**	51,172
	581,436	539,965

(Expressed in RMB unless otherwise indicated)

20 INTERESTS IN JOINT VENTURES (CONTINUED)

All of the joint ventures are accounted for using the equity method in the consolidated financial statements. The following list contains only the particulars of major joint ventures, all of which are unlisted corporate entities whose quoted market price is not available:

Name of joint ventures	Place of incorporation/ registration	Nominal value of issued capital/ registered capital	Proportion ownership interest held by the Group		Principal activities
			2015	2014	
Tianjin Beifang Chemical Fertilizer Logistics and Delivery Co., Ltd. 天津北方化肥物流配送有限公司 *(note)*	The PRC	RMB3,000,000	60%	60%	Fertilizer logistics
Yunnan Three Circles-Sinochem -Mosaic Fertilizer Co., Ltd. ("Sinochem Mosaic") 雲南三環中化美盛化肥有限公司	The PRC	US$29,800,000	25%	25%	Sales and manufacturing of fertilizers
Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. ("Three Circles-Sinochem") 雲南三環中化化肥有限公司	The PRC	RMB800,000,000	40%	40%	Sales and manufacturing of fertilizers
Gansu Wengfu Chemical Co., Ltd. ("Gansu Wengfu") 甘肅甕福化工有限責任公司	The PRC	RMB181,000,000	30%	30%	Sales and manufacturing of fertilizers
Hainan Zhongsheng Agricultural Technology Co., Ltd. ("Hainan Zhongsheng") 海南中盛農業科技有限公司 *(note)*	The PRC	RMB51,000,000	51%	51%	Sales of pesticides

Note: In accordance with agreements between the investors, the investors exercise joint control over the entity.

20 INTERESTS IN JOINT VENTURES (CONTINUED)

The directors of the Company are of the opinion that no joint ventures are individually material to the Group. Aggregate information of joint ventures that are not individually material are listed below:

	2015 RMB'000	2014 RMB'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	581,436	539,965
Aggregate amounts of the Group's share of those joint ventures'		
Gain/(Loss) from continuing operation	48,818	(55,500)
Total comprehensive income/(expense)	48,818	(55,500)

21 AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Available-for-sale investments comprise:		
– Listed equity securities	130,853	85,818
– Unlisted equity securities	397,477	397,477
Less: impairment losses	(9,290)	(9,290)
	519,040	474,005

At the end of the reporting period, all listed available-for-sale investments are stated at fair value determined by reference to the quoted market bid price from the relevant stock exchange.

The unlisted equity securities, representing investments in private entities, are subsequently measured at cost less impairment at the end of each reporting period, because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

22 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Fertilizer merchandise and finished goods	**5,803,944**	5,328,507
Raw materials	**395,300**	514,373
Work in progress	**62,422**	45,389
Consumables	**50,661**	59,996
	6,312,327	5,948,265

23 TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**76,572**	208,081
Less: allowance for doubtful debts *(note (b))*	**(7,774)**	(11,527)
	68,798	196,554
Bills receivables	**279,299**	1,079,776
Total trade and bills receivables	**348,097**	1,276,330

23 TRADE AND BILLS RECEIVABLES (CONTINUED)

(a) 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:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**285,558**	284,760
More than 3 months but within 6 months	**33,091**	951,402
More than 6 months but within 12 months	**1,914**	31,069
Over 12 months	**27,534**	9,099
	348,097	1,276,330

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. In the opinion of the management of the Group, receivables that are neither past due nor impaired have the best credit quality.

(b) Impairment of trade receivables

The movement in the allowance for doubtful debts during the year is as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Balance at 1 January	**11,527**	12,515
Write-down of trade receivables	**5,735**	477
Reversal of collectible receivables	**(9,488)**	–
Write-off of uncollectible receivables	**–**	(1,465)
Balance at 31 December	**7,774**	11,527

23 TRADE AND BILLS RECEIVABLES (CONTINUED)

(c) Trade debtors receivables that are not impaired

The ageing analysis of trade receivables which are past due but not impaired, is as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
More than 3 months but within 6 months	**7,134**	44,946
More than 6 months but within 12 months	**1,914**	31,069
Over 12 months	**27,534**	9,099
	36,582	85,114

Included in the Group's trade receivables are debtors with aggregate carrying amount of RMB36,582,000 (2014: RMB85,114,000) which are past due at the end of the reporting period for which the Group has not provided for allowance for doubtful debts as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

24 OTHER RECEIVABLES AND ADVANCE PAYMENTS

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Other receivables	**158,278**	286,585
Advance payments	**655,660**	977,042
Deductible input VAT	**345,817**	–
Less: allowance for doubtful debts *(note)*	**(28,369)**	(14,858)
Other receivables and advance payments	**1,131,386**	1,248,769

Note: The movement in the allowance for doubtful debts during the year is as follows:

	2015	2014
	RMB'000	*RMB'000*
Balance at 1 January	**14,858**	25,658
Write-down of other receivables and advance payments	**13,511**	–
Reversal of collectible receivables	**–**	(10,800)
Balance at 31 December	**28,369**	14,858

25 LOANS TO AN ASSOCIATE

Loans to an associate represent the entrusted loans lent to Yangmei Pingyuan which are unsecured, bear annual interest rate of 5.5%-6% (2014: 6%) and is repayable within one year.

26 BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with original maturity of three months or less, and carry prevailing deposit rate is 0.35% (2014: 0.35%) per annum.

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Cash in hand	**112**	203
Cash at bank	**639,739**	462,687
	639,851	462,890

As at 31 December 2015, included in bank balances and cash mainly are the following amounts denominated in currencies other than the functional currency of the relevant entity to which they relate.

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
United States dollars ("US$")	**129,134**	125,553

27 TRADE AND BILLS PAYABLES

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Trade payables	**4,614,655**	3,817,175
Bills payables	**1,382,747**	811,658
Trade and bills payables	**5,997,402**	4,628,833

27 TRADE AND BILLS PAYABLES (CONTINUED)

As at 31 December 2015, the aging analysis of trade and bills payables presented based on the invoice date is as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**4,501,446**	4,345,265
More than 3 months but within 6 months	**1,318,698**	94,442
More than 6 months but within 12 months	**21,854**	133,071
Over 12 months	**155,404**	56,055
	5,997,402	4,628,833

28 OTHER PAYABLES AND RECEIPT IN ADVANCE

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Payroll payable	**84,691**	114,227
Consideration payable for acquisition of Sinochem Yunlong	**230,000**	230,000
Others	**320,819**	285,306
Other payables	**635,510**	629,533
Receipt in advance	**1,357,872**	3,253,223
Other payables and receipt in advance	**1,993,382**	3,882,756

29 INTEREST-BEARING BORROWINGS

(a) The analysis of the carrying amount of interest-bearing borrowings is as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Bank loans, secured	**–**	144,411
Bank loans, unsecured	**673,430**	40,000
Borrowings from Sinochem Group	**200,000**	200,000
Borrowings from Sinochem Finance Co., Ltd. ("Sinochem Finance")	**60,000**	–
Borrowings from Sinochem Hong Kong (Group) Co., Ltd. ("Sinochem HK")	**850,000**	–
Bonds *(note)*		
Principal amount	**2,500,000**	2,500,000
Less: unamortized transaction costs	**(9,165)**	(11,515)
	4,274,265	2,872,896

Note: On 25 November 2009, a PRC subsidiary of the Group issued corporate bonds with an aggregate principal amount of RMB2.5 billion with a maturity of 10 years at a fixed interest rate of 5% per annum. The transaction costs of RMB23,265,000 directly attributable to issuance of the bonds have been deducted from the principal amount of the bonds. The repayment of the bonds is guaranteed by Sinochem Group.

All of the interest-bearing borrowings are carried at amortized cost.

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Carrying amount repayable:		
Within 1 year	**1,583,430**	184,411
More than 1 year, but within 5 years	**2,690,835**	2,688,485
	4,274,265	2,872,896
Less: amounts due within 1 year shown under current liabilities	**(1,583,430)**	(184,411)
Amounts shown under non-current liabilities	**2,690,835**	2,688,485

29 INTEREST-BEARING BORROWINGS (CONTINUED)

(b) The analysis of interest-bearing borrowings by interest rates as follows:

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Fixed-rate borrowings:		
Within 1 year	**1,233,430**	184,411
More than 1 year, but within 5 years	**2,690,835**	2,688,485
	3,924,265	2,872,896

The exposure of the Group's variable-rate borrowings and the contractual maturity dates are as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Variable-rate borrowings:		
Within 1 year	**350,000**	–

Interests on variable-rate borrowings are repriced in accordance with specific terms in the borrowing contracts.

The ranges of effective interest rates on the Group's borrowings are as follows:

	2015	2014
Fixed-rate borrowings	**1.35%~4.82%**	1.35%~5.12%
Variable-rate borrowings	**3.915%**	–

29 INTEREST-BEARING BORROWINGS (CONTINUED)

(c) Unutilized banking facilities

As at the end of the reporting period, the Group has the following unutilized banking facilities:

	2015	2014
	RMB'000	*RMB'000*
Expiring within 1 year	**9,019,183**	10,304,163
Expiring beyond 1 year	**11,149,816**	11,610,318
	20,168,999	21,914,481

At 31 December 2015, certain property, plant and equipment and bills receivable with carrying values of approximately RMB7,951,000 and RMB5,000,000 (2014: RMB25,704,000 and RMB144,411,000) were pledged to secure banking facilities and borrowings granted to the Group.

30 SHORT-TERM COMMERCIAL PAPER

One of the Group's subsidiaries issued a one-year commercial paper of RMB2 billion in the PRC debenture market on 19 October 2015. This commercial paper bears fixed interest rate of 3.4% per annum and interests are paid annually. Interest payable for the current period was included in other payables.

31 DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Deferred tax assets	**44,740**	198,559
Deferred tax liabilities	**(234,669)**	(246,755)
	(189,929)	(48,196)

31 DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES (CONTINUED)

(a) Deferred tax assets and liabilities recognized:

The following are the deferred tax assets and liabilities recognized and movements thereon during the current and prior year:

	Fair value adjustment on business combination	Unrealized profits in inventories	Impairments	Tax losses	Accumulated depreciation difference	Other	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	(258,874)	1,888	32,153	279,881	152	22,890	78,090
Credit/(charge) to profit or loss for the year	12,756	935	(15,767)	(124,738)	(252)	780	(126,286)
At 31 December 2014	(246,118)	2,823	16,386	155,143	(100)	23,670	(48,196)
At 1 January 2015	**(246,118)**	**2,823**	**16,386**	**155,143**	**(100)**	**23,670**	**(48,196)**
Credit/(charge) to profit or loss for the year	**12,735**	**291**	**6,734**	**(149,096)**	**(609)**	**(11,788)**	**(141,733)**
At 31 December 2015	**(233,383)**	**3,114**	**23,120**	**6,047**	**(709)**	**11,882**	**(189,929)**

Deferred tax assets are recognized for tax losses carrying forward to the extent that the realization of the related tax benefit through the future taxable profits is probable. The Group has written down the carrying amount of deferred tax assets for RMB98,908,000 (2014: RMB45,269,000) during the year ended 31 December 2015 because the management assesses that it's no longer probable for the Group to make sufficient taxable profit to cover tax losses of RMB395,632,000 (2014: RMB181,076,000), which had expired at the end of 2015.

By reference to financial budgets, the management of the Group believes that there will be sufficient future taxable profits or taxable temporary differences available in the future for the realization of deferred tax assets which have been recognized in respect of tax losses and other temporary differences.

(b) Deferred tax assets not recognized

No deferred tax assets were recognized on the tax losses of approximately RMB1,482,542,000 (2014: RMB1,530,990,000) as the Group determines that the realization of the related tax benefit through future taxable profits is not probable, among which RMB125,764,000 unrecognized tax losses has expired during 2015. Included in the unrecognized tax losses are losses of RMB865,121,000 that will expire before 31 December 2020 (2014: RMB930,331,000 that will expire before 31 December 2019). Other losses may be carried forward indefinitely.

31 DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES (CONTINUED)

(c) Deferred tax liabilities not recognized

Under the tax laws of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries to overseas investors from 1 January 2008 onwards. As the Company controls the dividend policy of its PRC subsidiaries, it has the ability to control the timing of the reversal of temporary differences associated with the investment in subsidiaries. Furthermore, the Company has determined that those profits earned by its PRC subsidiaries will not be distributed to overseas investors in the foreseeable future. As such, deferred taxation has not been provided for in respect of temporary differences attributable to accumulated profits of PRC subsidiaries of RMB173,210,000 (2014: RMB149,720,000) at 31 December 2015.

32 ISSUED EQUITY

(a) The movements in issued equity of the Group:

	2015 *RMB'000*	2014 *RMB'000*
At 1 January/At 31 December		
Issue of new shares of par value of HK$0.10 each	**8,267,384**	8,267,384

The amount of issued equity of the Group as at 31 December 2015 and 2014 includes share capital and share premium in the consolidated statement of financial position:

32 ISSUED EQUITY (CONTINUED)

(b) The movements in the share capital of the Company are as follows:

	2015			2014		
	Number of shares *'000*	**Nominal value** *HK$'000*	**Equivalent to** *RMB'000*	Number of shares *'000*	Nominal value *HK$'000*	Equivalent to *RMB'000*
Authorized:						
Ordinary shares of HK$0.10 each	**80,000,000**	**8,000,000**		80,000,000	8,000,000	
Ordinary shares of the Company, issued and fully paid:						
At 1 January/At 31 December	**7,024,456**	**702,446**	**691,750**	7,024,456	702,446	691,750

	Number of shares	**Nominal Value** *RMB'000*
Preference shares		
Authorized:		
Preference shares of HK$1,000,000 each	316	316,000

No preference shares are issued at 31 December 2015 and 2014.

33 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from previous years.

The capital structure of the Group consists of net debt including borrowings, net of cash and cash equivalents and equity attributable to owners of the Company comprising issued equity, retained profits and other reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

34 FINANCIAL INSTRUMENT

(a) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, other deposits, trade and bills receivables, other receivables and advance payments, bank balances and cash, trade and bills payables, other payables and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. There has been no significant change to the Group's exposure to these risks or the manner in which it manages and measures these risks. The management manages and monitors the Group's exposures to these risks to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Group have foreign currency transactions, which expose the Group to currency risk. Since the monetary items denominated in foreign currencies are not significant, the Group considers the currency risk was insignificant and does not use any derivative contracts to hedge against its exposure to currency risk. The management manages its currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

The major carrying amounts of the foreign currency denominated monetary assets and monetary liabilities including bank balances and cash, other payables and borrowings that are subject to currency risk at the end of the reporting period are as follows:

	Liabilities		Assets	
	2015	2014	**2015**	2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
US$	**1,350,582**	1,556,868	**129,134**	125,553

34 FINANCIAL INSTRUMENT (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2015			2014		
	Increase/ (decrease) in Foreign Exchange rates	Effect on profit after tax and retained profits *RMB'000*	Effect on other components of equity *RMB'000*	Increase/ (decrease) in Foreign Exchange rates	Effect on profit after tax and retained profits *RMB'000*	Effect on other components of equity *RMB'000*
US$	10%	(122,145)	–	10%	(143,131)	–
	(10%)	122,145	–	(10%)	143,131	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2014.

34 FINANCIAL INSTRUMENT (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings (see note 29 for details of these borrowings) and other deposits. Cash flow interest rate risk in relation to bank balances and pledged bank deposits is considered insignificant. Interest rate risk is managed by the management of the Group on an ongoing basis with the primary objective of limiting the extent to which interest expense could be affected by adverse movement in interest rates.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing interest rate announced by the People's Bank of China and the fluctuation of London Interbank offered Rate.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for variable-rate borrowings at the end of the reporting period. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's:

- loss for the year ended 31 December 2015 would increase/decrease by approximately RMB2,625,000. This is mainly attributable to the Group's exposure to change in interest rate on its variable-rate borrowings.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable-rate borrowings.

34 FINANCIAL INSTRUMENT (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) *Other price risk*

The Group is exposed to equity price risk through its investments in equity securities. The Group's equity price risk in available-for-sale investments is mainly concentrated on equity instruments issued by companies operating in fertilizer industry sector listed on The Stock Exchange of Hong Kong Limited. The directors of the Company closely monitor the share price movements of those securities relating to the investments in order to minimize the Group's exposure to the price risk.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.

Available-for-sale investments

If the prices of the respective listed equity instruments had been 10% (2014: 10%) higher/lower:

- investment valuation reserve/impairment losses would increase by approximately RMB13,085,000 (2014: RMB8,582,000) as a result of the increase/decrease in fair value of available-for-sale investments.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2015 in relation to each class of recognized financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The directors of the Company consider that the Group has adequate credit control for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made against the irrecoverable amounts. In this regard, the directors of the Company believe that the Group's credit risk is significantly reduced.

The credit risk on liquid funds, bills receivables and other deposits is limited because the counterparties are banks with high credit rating.

Other than concentration of credit risk on liquid funds, bills receivables and other deposits which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

34 FINANCIAL INSTRUMENT (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of credit borrowings.

The Group relies on borrowings as a significant source of liquidity. As at 31 December 2015, the Group has available unutilized banking facilities of approximately RMB20,168,999,000 (2014: approximately RMB21,914,481,000). Details are set out in note 29(c).

The following table details the Group's remaining contractual maturity for its financial liabilities. For financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest rates are variable rates, the undiscounted amount is derived from interest rate at the end of the reporting period.

	2015 Contractual undiscounted cash outflow				
	Within 1 year or on demand *RMB'000*	1-5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*	Balance sheet carrying amount *RMB'000*
Trade and bills payables	5,997,402	–	–	5,997,402	5,997,402
Other payables	635,510	–	–	635,510	635,510
Borrowings and short-term commercial paper	3,784,752	3,075,170	–	6,859,922	6,274,265
	10,417,664	3,075,170	–	13,492,834	12,907,177

34 FINANCIAL INSTRUMENT (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	2014 Contractual undiscounted cash outflow				
	Within 1 year or on demand *RMB'000*	1-5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*	Balance sheet carrying amount *RMB'000*
Trade and bills payables	4,628,833	–	–	4,628,833	4,628,833
Other payables	629,533	–	–	629,533	629,533
Borrowings	313,050	3,202,870	–	3,515,920	2,872,896
	5,571,416	3,202,870	–	8,774,286	8,131,262

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(b) Fair value

(i) Financial instruments carried at fair value

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped in to Level 1 to 3 based on the degree to which the fair value is observable.

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

34 FINANCIAL INSTRUMENT (CONTINUED)

(b) Fair value (continued)

(i) Financial instruments carried at fair value (continued)

	31 December 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Available-for-sale investments				
– Listed	**130,853**	**–**	**–**	**130,853**

	31 December 2014			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale investments				
– Listed	85,818	–	–	85,818
Financial liability				
– Forward exchange contracts	–	25,633	–	25,633

During the years ended 31 December 2015 and 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which the occur.

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values:

	2015		2014	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Financial liabilities	**2,490,835**	**2,563,638**	2,488,485	2,484,615

34 FINANCIAL INSTRUMENT (CONTINUED)

(c) Estimation of fair values

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Trade and bills receivables and other receivables and advance payments

The fair value of trade and bills receivables and other receivables and advance payments is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(ii) Non-derivative financial liabilities

The fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(iii) Interest-bearing borrowings and short-term commercial paper

The fair value of interest-bearing borrowings and short-term commercial paper is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iv) Interest rates used for determining fair value

The Group uses the market rate of interest-bearing borrowings as of 31 December 2015. The interest rates used are disclosed in note 29.

35 CONTINGENT LIABILITIES

At 31 December 2015 and 2014, the Group had no material contingent liabilities.

36 COMMITMENTS

(a) Capital commitment

	2015 RMB'000	2014 RMB'000
Contracted but not provided for		
– Property, plant and equipment	**46,017**	266,793
Authorized but not contracted for		
– Property, plant and equipment	**546,315**	609,617
– Investments in an associate and others	**300,000**	4,190,101
	892,332	5,066,511

(b) Operating lease

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The leases have varying terms and renewal rights which give the Group a priority in renewing these operating lease agreements at market price.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year	**44,617**	44,125
More than 1 year, but within 5 years	**28,339**	58,749
Over 5 years	**2,174**	1,944
	75,130	104,818

Operating lease payments represent rentals payable by the Group for certain of retail outlets, offices and warehouses. Leases are normally negotiated for an average term of 1-2 years and rentals are fixed for an average of 1-2 years.

37 RELATED PARTY TRANSACTIONS

The major related parties that had transactions with the Group during the year ended 31 December 2015 and 2014 were as follows:

Ultimate holding company

Sinochem Group
(中國中化集團公司)

Immediate holding company

Sinochem HK
(中化香港(集團)有限公司)

Fellow subsidiaries

Sinochem (United Kingdom) Limited
(中化(英國)有限公司)
Beijing Chemsunny Property Co., Ltd. ("Chemsunny Ltd.")
(北京凱晨置業有限公司)
Jinmao Investment (Changsha) Co., Ltd. ("Jinmao Investment")
(金茂投資(長沙)有限公司)
Sinochem Quanzhou Petrochemical Co., Ltd. ("Quanzhou Petrochemical")
(中化泉州石化有限公司)
Sinochem Finance
(中化集團財務有限責任公司)

A subsidiary of a shareholder with significant influence over the Company

PCS Sales (USA) Inc. ("PCS Sales")

Associates

Qinghai Salt Lake
(青海鹽湖工業股份有限公司)
Xinxin Group
(貴州鑫新化工集团有限公司)
Yangmei Pingyuan
(陽煤平原化工有限公司)

Joint ventures

Sinochem Mosaic
(雲南三環中化美盛化肥有限公司)
Three Circles-Sinochem
(雲南三環中化化肥有限公司)
Gansu Wengfu
(甘肅甕福化工有限責任公司)
Hainan Zhongsheng
(海南中盛農業科技有限公司)

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) During the year, the Group entered into the following significant transactions with its ultimate holding company, Sinochem Group and other related parties:

	2015 *RMB'000*	2014 *RMB'000*
Sales of fertilizers to		
Ultimate holding company *(note 1)*	**327,545**	65,611
Joint ventures	**329,660**	336,163
	657,205	401,774
Purchases of fertilizers from		
Ultimate holding company *(note 1)*	**292,215**	114,569
Joint ventures	**1,292,864**	1,308,597
Associates	**1,578,306**	937,228
A fellow subsidiary *(note 1)*	**22,549**	6,942
A subsidiary of a shareholder with significant influence over the Company	**6,765**	5,299
	3,192,699	2,372,635
Import service fee paid to		
Ultimate holding company	**7,103**	4,069
A fellow subsidiary *(note 1)*	**14,504**	14,048
	21,607	18,117
Office rental fee paid to		
Immediate holding company	**5,210**	4,241
A fellow subsidiary *(note 1)*	**22,952**	20,258
	28,162	24,499

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) During the year, the Group entered into the following significant transactions with its ultimate holding company, Sinochem Group and other related parties: (continued)

	2015 RMB'000	2014 RMB'000
Consideration paid for acquiring interests in an associate	**3,903,420**	–
Loans to an associate	**670,000**	700,000
Repayments of loans to an associate	**700,000**	887,000
Interest income due from an associate	**41,891**	48,277
Loans from related parties		
A fellow subsidiary	**390,000**	–
Immediate holding company	**2,750,000**	1,927,485
	3,140,000	1,927,485
Repayments of loans from related parties		
A fellow subsidiary	**330,000**	100,000
Immediate holding company	**1,900,000**	1,927,485
	2,230,000	2,027,485
Interests expenses for loans from related parties		
A fellow subsidiary	**4,019**	1,306
Immediate holding company	**33,208**	1,663
Ultimate holding company	**2,738**	2,405
	39,965	5,374

Note 1: The transactions fall under definition of "continuing connected transaction" in Chapter 14A of the Listing Rules.

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) As at the end of the reporting period, the Group had the following material balances with its related parties:

	2015 *RMB'000*	2014 *RMB'000*
Other receivables		
Chemsunny Ltd.	**9,858**	8,928
Sinochem HK	**1,437**	1,127
Yangmei Pingyuan	**6,774**	13,508
	18,069	23,563
Advance payments		
Gansu Wengfu	**–**	22,297
Qinghai Salt Lake	**19,519**	167,927
Yangmei Pingyuan	**12**	195
Quanzhou Petrochemical	**–**	1,858
	19,531	192,277
Loans to an associate		
Yangmei Pingyuan	**670,000**	700,000
Trade payables		
Sinochem Group	**2,491,664**	1,208,339
Three Circles-Sinochem	**28,408**	43,935
Yangmei Pingyuan	**73**	14,314
Xinxin Group	**4,966**	12,493
Gansu Wengfu	**2,408**	–
	2,527,519	1,279,081
Other payables		
Sinochem Group	**446**	446
Yangmei Pingyuan	**47,675**	47,675
	48,121	48,121

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) As at the end of the reporting period, the Group had the following material balances with its related parties: (continued)

	2015 *RMB'000*	2014 *RMB'000*
Receipt in advance		
Sinochem Group	38	794
Sinochem Mosaic	–	6,726
	38	7,520
Borrowings from related parties *(note 2)*		
Sinochem Group	200,000	200,000
Sinochem Finance	60,000	–
Sinochem HK	850,000	–
	1,110,000	200,000
Interests payable to related parties		
Sinochem Group	83	2,404
Sinochem Finance	470	–
Sinochem HK	12,780	–
	13,333	2,404

Note 2: Borrowings from Sinochem Group is borrowed with a maturity of 3 years at a fixed interest rate of 1.35% per annum.

Borrowings from Sinochem Finance are borrowed with a maturity of 1 month and 6 months at fixed interest rates of 3.92% and 4.14% per annum respectively.

Borrowings from Sinochem HK are borrowed with a maturity of 1 month and 9 months at fixed interest rates of 3.92% and 3.48%~4.08% per annum respectively.

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel

Key management personnel are Group's directors and senior executives. Remuneration paid or payable to the directors was disclosed in note 10, and was determined by the Remuneration Committee according to individual performance and relevant comparable market statistics. Remuneration paid or payable to senior executives is as follows:

	2015	2014
	RMB'000	*RMB'000*
Salaries and other benefits	**4,821**	4,133
Performance related incentive payment	**4,318**	3,878
Retirement benefits scheme contribution	**309**	248
	9,448	8,259

The emoluments of senior executives were within the following bands:

	2015	2014
	Number of individuals	*Number of individuals*
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**7**	3
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**–**	–
	7	7

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Transactions/balances with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by Chinese government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under Sinochem Group which is controlled by Chinese government. Apart from the transactions with Sinochem Group and fellow subsidiaries and other related parties as disclosed above, the Group also conducts business with other government-related entities. The directors of the Company consider those government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

At the end of the reporting period, the Group had the following significant balances with other government-related entities in the PRC.

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Trade and bills receivables	**2,966**	53,877
Other receivables and advance payments	**222,707**	248,616
Trade and bills payables	**343,658**	81,949
Other payables and receipt in advance	**76,874**	355,632

During the year, the Group had the following significant transactions with other government-related entities as follows:

	2015	2014
	RMB'000	*RMB'000*
Sales of fertilizers	**4,586,597**	5,350,603
Purchases of fertilizers	**7,627,972**	5,744,361

In addition, the Group has entered into various transactions, including deposits placements, borrowings and other banking facilities, with certain banks that are government-related entities in its ordinary course of business. In view of the nature of those banking transactions, the directors of the Company are of the opinion that separate disclosure would not be meaningful.

Except for amounts and transactions disclosed above, the directors of the Company are of the opinion that transactions with other government-related entities are not significant to the Group's operations.

(Expressed in RMB unless otherwise indicated)

38 PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at 31 December 2015 and 2014:

Name of subsidiaries	Place of incorporation/ registration	Nominal value of issued capital/ registered capital	Proportion ownership interest held by the Group		Principal activities
			2015	2014	
Directly held:					
China Fertilizer (Holdings) Co., Ltd.	British Virgin islands ("BVI")	US$10,002	100%	100%	Investment holding
Wah Tak Fung (B.V.I.) Limited	BVI	US$1,000,000	100%	100%	Investment holding
Calorie Ltd.	Hong Kong	HK$34,000	100%	100%	Investment holding
Indirectly held:					
Sinochem Fertilizer (Overseas) Holdings Ltd.	BVI	US$10,002	100%	100%	Investment holding
Sinochem Fertilizer (中化化肥有限公司) *(note a)*	The PRC	RMB10,600,000,000	100%	100%	Fertilizer trading
Dohigh Trading Limited (敦尚貿易有限公司)	Hong Kong	HK$15,000,000	100%	100%	Fertilizer trading
Sinochem Fertilizer Macao Commercial Offshore Limited (中化化肥澳門離岸商業服務有限公司)	Macao SAR	MOP100,000	100%	100%	Fertilizer trading
Suifenhe Xinkaiyuan Trading Co., Ltd. *(note c)* (綏芬河新凱源貿易有限公司)	The PRC	RMB5,000,000	100%	100%	Fertilizer trading

(Expressed in RMB unless otherwise indicated)

38 PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation/ registration	Nominal value of issued capital/ registered capital	Proportion ownership interest held by the Group 2015	2014	Principal activities
Indirectly held: (continued)					
Fujian Sinochem Zhisheng Chemical Fertilizer Co., Ltd. *(note c)* (福建中化智勝化肥有限公司)	The PRC	RMB47,000,000	**53.19%**	53.19%	Sales and manufacturing of fertilizers
Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd. *(note c)* (中化重慶涪陵化工有限公司)	The PRC	RMB148,000,000	**60%**	60%	Sales and manufacturing of fertilizers
Sinochem Yunlong *(note c)* (中化雲龍有限公司)	The PRC	RMB500,000,000	**100%**	100%	Sales and manufacturing of feeds stuff
Sinochem Yantai Crop Nutrition Co., Ltd. *(note b)* (中化（煙台）作物營養有限公司)	The PRC	US$1,493,000	**100%**	100%	Sales and manufacturing of fertilizers
Manzhouli Kaiming Fertilizer Co., Ltd. *(note c)* (滿洲裡凱明化肥有限公司)	The PRC	RMB5,000,000	**100%**	100%	Fertilizer trading
Sinochem Jilin Changshan Chemical Co., Ltd. *(note c)* (中化吉林長山化工有限公司)	The PRC	RMB1,018,650,000	**94.78%**	94.78%	Sales and manufacturing of fertilizers
Hubei Sinochem Orient Fertilizer Co., Ltd. *(note c)* (湖北中化東方肥料有限公司)	The PRC	RMB30,000,000	**80%**	80%	Sales and manufacturing of fertilizers

(Expressed in RMB unless otherwise indicated)

38 PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation/ registration	Nominal value of issued capital/ registered capital	Proportion ownership interest held by the Group 2015	2014	Principal activities
Indirectly held: (continued)					
Sinochem Shandong Fertilizer Co., Ltd. *(note c)* (中化山東肥業有限公司)	The PRC	RMB100,000,000	**51%**	51%	Sales and manufacturing of fertilizers
Sinochem Fert-Mart Agricultural Superstore Co., Ltd. *(note c)* (中化肥美特農資連鎖有限公司)	The PRC	RMB100,000,000	**100%**	100%	Fertilizer retailing
Sinochem Hainan Crop Science and Technology Co., Ltd. *(note c)* (中化海南作物科技有限公司)	The PRC	RMB200,000,000	**100%**	100%	Sales of fertilizers
Pingyuan County Xinglong Textile Co., Ltd. *(note c)* (平原縣興龍紡織有限公司)	The PRC	RMB15,000,000	**75%**	75%	Sales and manufacturing of textiles

Note a: Foreign invested enterprise
Note b: Sino-foreign enterprise
Note c: Domestic company

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

The directors of the Company are of the opinion that none of its subsidiaries has non-controlling interests material to the Group.

39 RETIREMENT BENEFITS SCHEME CONTRIBUTION

According to the relevant laws and regulations in the PRC Mainland, Hong Kong and Macao SAR, the Group's certain subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The contribution to fund the retirement benefits of the employees are calculated based on certain percentage of the average employee salary as agreed by local municipal government to the scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contribution under the schemes.

40 INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Investments in subsidiaries	**6,398,138**	6,024,697
Amount due from subsidiaries	**6,166,184**	5,838,020
Bank balances and cash	**859**	1,847
Other current assets	**866,137**	788,197
TOTAL ASSETS	**13,431,318**	12,652,761
Other current liabilities	**8,078**	10,022
NET ASSETS	**13,423,240**	12,642,739
CAPITAL AND RESERVE		
Issued equity	**8,267,384**	8,267,384
Capital reserve	**7,416,535**	7,416,535
Exchange reserve	**(2,335,863)**	(3,119,431)
Retained profits	**75,184**	78,251
TOTAL EQUITY *(note)*	**13,423,240**	12,642,739

Note: The decrease in the exchange reserve of RMB783,568,000 is due to exchange differences on translation of the Company's financial statements. The decrease in the retained profits of RMB3,067,000 is attributable to the increase of the Company's profit for the year of RMB56,348,000 and a deduction of dividends paid to the owners of the Company in year 2015 of RMB59,415,000.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**26,121,488**	28,311,086	34,721,849	41,190,137	36,684,963
Profit/(Loss) before tax	**350,149**	272,122	(281,382)	1,022,365	836,501
Income tax	**(147,602)**	(136,700)	(343,424)	(98,711)	(150,717)
Profit/(Loss) for the year	**202,547**	135,422	(624,806)	923,654	685,784
Profit/(Loss) attributable to					
– Owners of the Company	**220,855**	229,339	(476,340)	878,369	677,968
– Non-controlling interests	**(18,308)**	(93,917)	(148,466)	45,285	7,816
	202,547	135,422	(624,806)	923,654	685,784

	At 31 December				
	2015	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**27,739,029**	25,210,984	23,829,283	26,409,804	28,398,490
Total liabilities	**(14,663,108)**	(11,828,696)	(10,536,306)	(12,287,171)	(15,029,607)
Net assets	**13,075,921**	13,382,288	13,292,977	14,122,633	13,368,883

中化化肥控股有限公司
SINOFERT HOLDINGS LIMITED

Units 4601- 4610, 46th Floor, Office Tower,
Convention Plaza,1 Harbour Road,
Wanchai, Hong Kong.

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