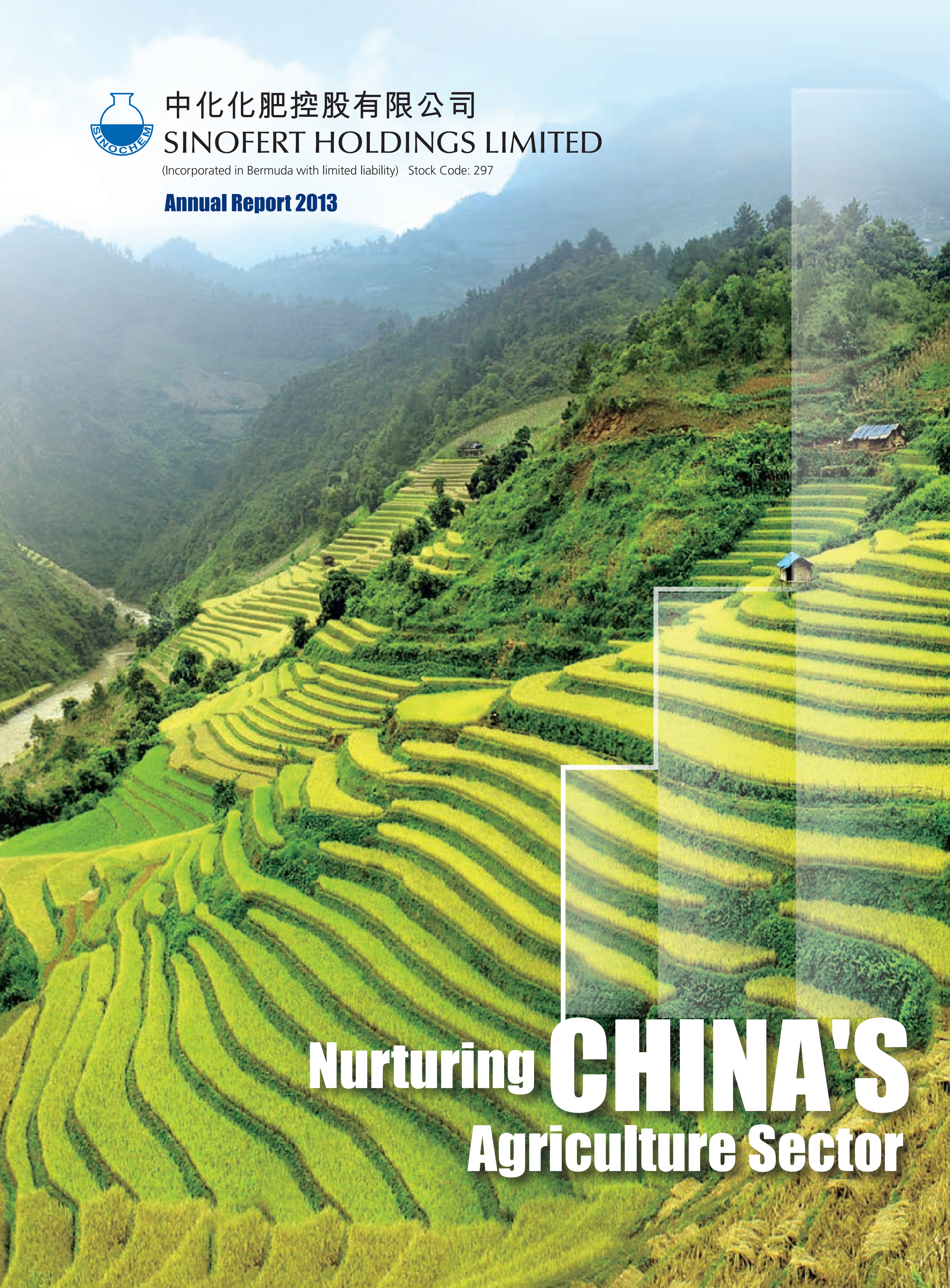
中化化肥控股有限公司

SINOFERT HOLDINGS LIMITED

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

Annual Report 2013



Nurturing CHINA'S Agriculture Sector

SINOFERT HOLDINGS LIMITED ANNUAL REPORT

2013

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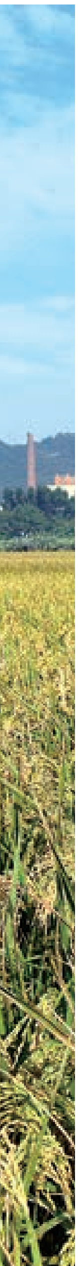
COMPANY PROFILE AND CORPORATE INFORMATION



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 (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, export, distribution, wholesale and retail of fertilizer raw materials and products, as well as technical research and development and services in the field of fertilizer-related businesses and products.

Benchmarked by the turnover of 2013, 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 and compound fertilizers;
- its strategic alliances with major international suppliers for the exclusive distribution of their products in China;
- its comprehensive agrichemical services 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 23rd time by ranking the 119th in 2013. The second largest shareholder of the Company is Potash Corporation of Saskatchewan Inc., which is the largest potash producer in the world.

Corporate Information

Board of Directors

Non-Executive Director

Mr. LIU De Shu *(Chairman)*

Executive Directors

Mr. WANG Hong Jun *(Chief Executive Officer)*
(appointed on 7 March 2014)
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
Dr. TANG Tin Sek
Mr. TSE Hau Yin, Aloysius

Members of Committees

Audit Committee

Mr. TSE Hau Yin, Aloysius *(Chairman)*
Mr. KO Ming Tung, Edward
Dr. TANG Tin Sek

Remuneration Committee

Dr. TANG Tin Sek *(Chairman)*
Mr. KO Ming Tung, Edward
Dr. Stephen Francis DOWDLE
Mr. TSE Hau Yin, Aloysius
Mr. Harry YANG

Nomination Committee

Mr. KO Ming Tung, Edward *(Chairman)*
Dr. Stephen Francis DOWDLE
Dr. TANG Tin Sek
Mr. TSE Hau Yin, Aloysius
Mr. Harry YANG

Corporate Governance Committee

Mr. WANG Hong Jun *(Chairman)*
(appointed on 7 March 2014)
Mr. Harry YANG
Ms. CHEUNG Kar Mun, Cindy
Ms. DONG Jiao Jiao
(appointed on 28 February 2013)

Chief Financial Officer

Mr. GAO Jian

Qualified Accountant

Ms. CHEUNG Kar Mun, Cindy

Company Secretary

Ms. CHEUNG Kar Mun, Cindy

Auditors

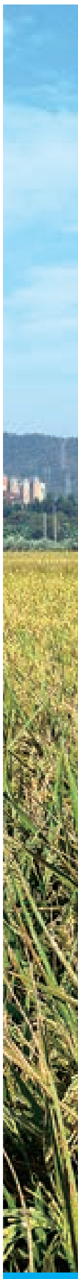
KPMG

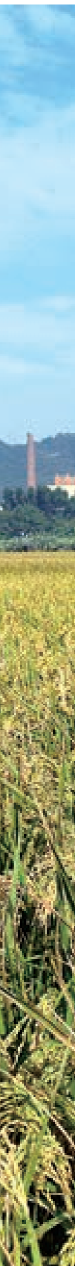
Legal Adviser

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





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

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Beijing

Telephone	:	(10) 5956 9635
Fax	:	(10) 5956 9627
Address	:	Level 10, Central Tower Chemsunny World Trade Centre 28 Fuxingmen Nei Road Beijing 100031, PRC

Financial Highlights

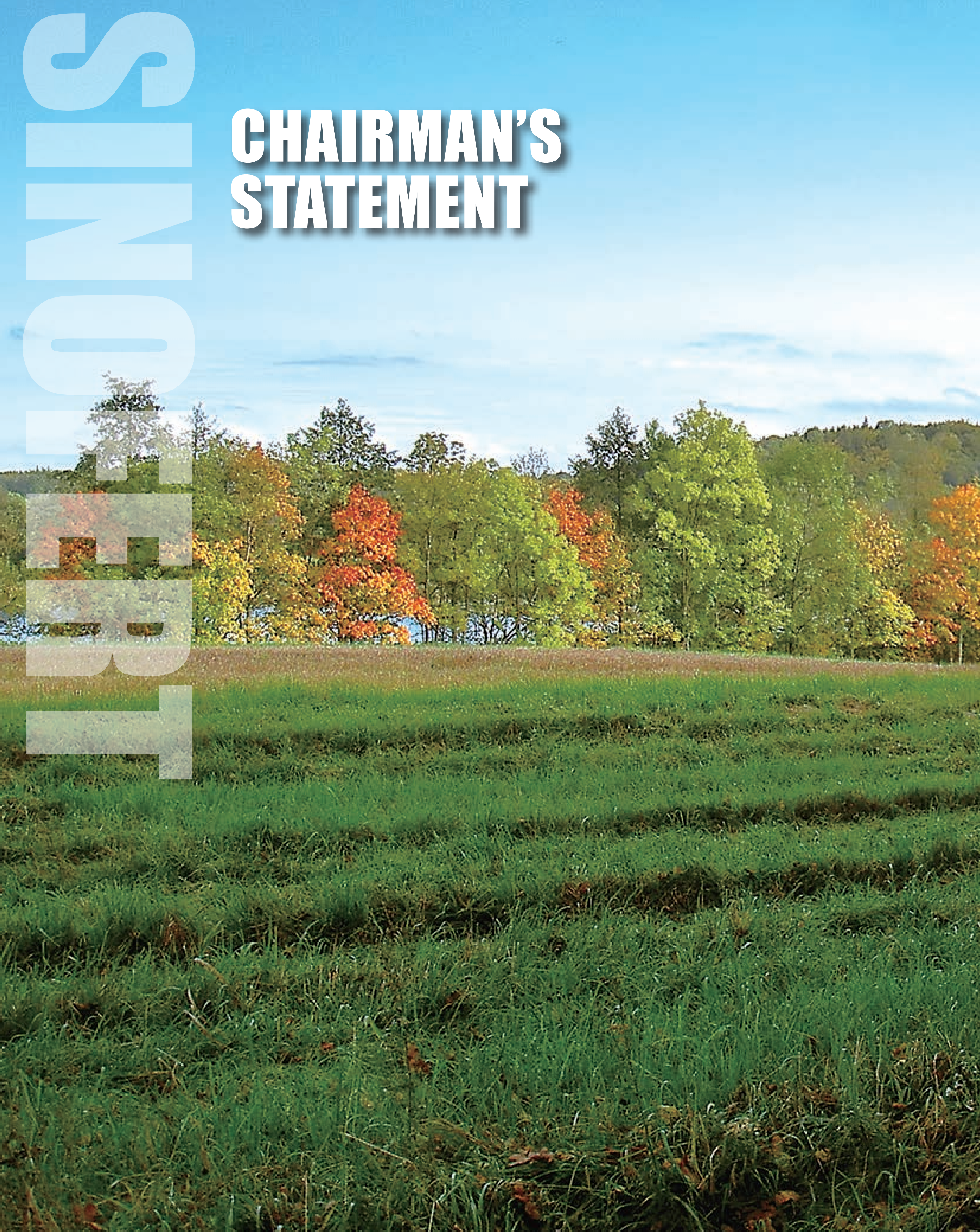
(RMB'000 except for sales volume and basic (losses)/earnings per share)

	2013	2012
Sales volume *(in 10,000 tons)*	**1,628**	1,714
Turnover	**34,721,849**	41,190,137
Gross profit	**1,279,496**	2,377,802
(Loss)/profit before taxation	**(281,382)**	1,022,365
(Loss)/profit attributable to the owners of the Company	**(476,340)**	878,369
Basic (losses)/earnings per share *(RMB)*	**(0.0678)**	0.1250
Return on Equity (Note 1)	**(3.64%)**	6.36%
Debt to Equity Ratio *(Note 2)*	**29.43%**	31.10%

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

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 undue bills receivables).

CHAIRMAN'S STATEMENT

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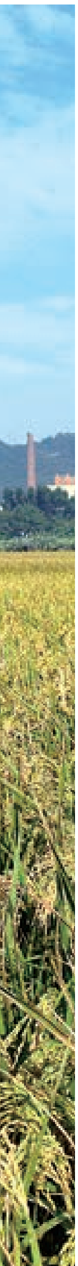
CHAIRMAN'S STATEMENT

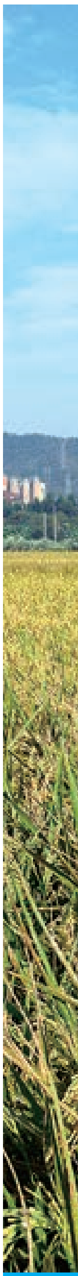


Dear Shareholders,

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

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

Against such severe market situation, the Board of Directors (the "Board") consistently aim to maximize the shareholders' value in the Group, thus we continuously improved corporate governance and optimized the corporate governance mechanism. In compliance with the Corporate Governance Code as required by the Stock Exchange of Hong Kong Limited, the Company held four regular board meetings in 2013 to review



and approve certain resolutions regarding the annual report, interim report, corporate development strategy and major investment projects, etc.. The Board also reviewed material investment projects, connected transactions and other matters from time to time. The Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee under the Board exercised their rights and fulfilled their obligations delegated by the Board in terms of the improvement on the Company's internal control, optimization of remuneration policy and improvement of governance structure.

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

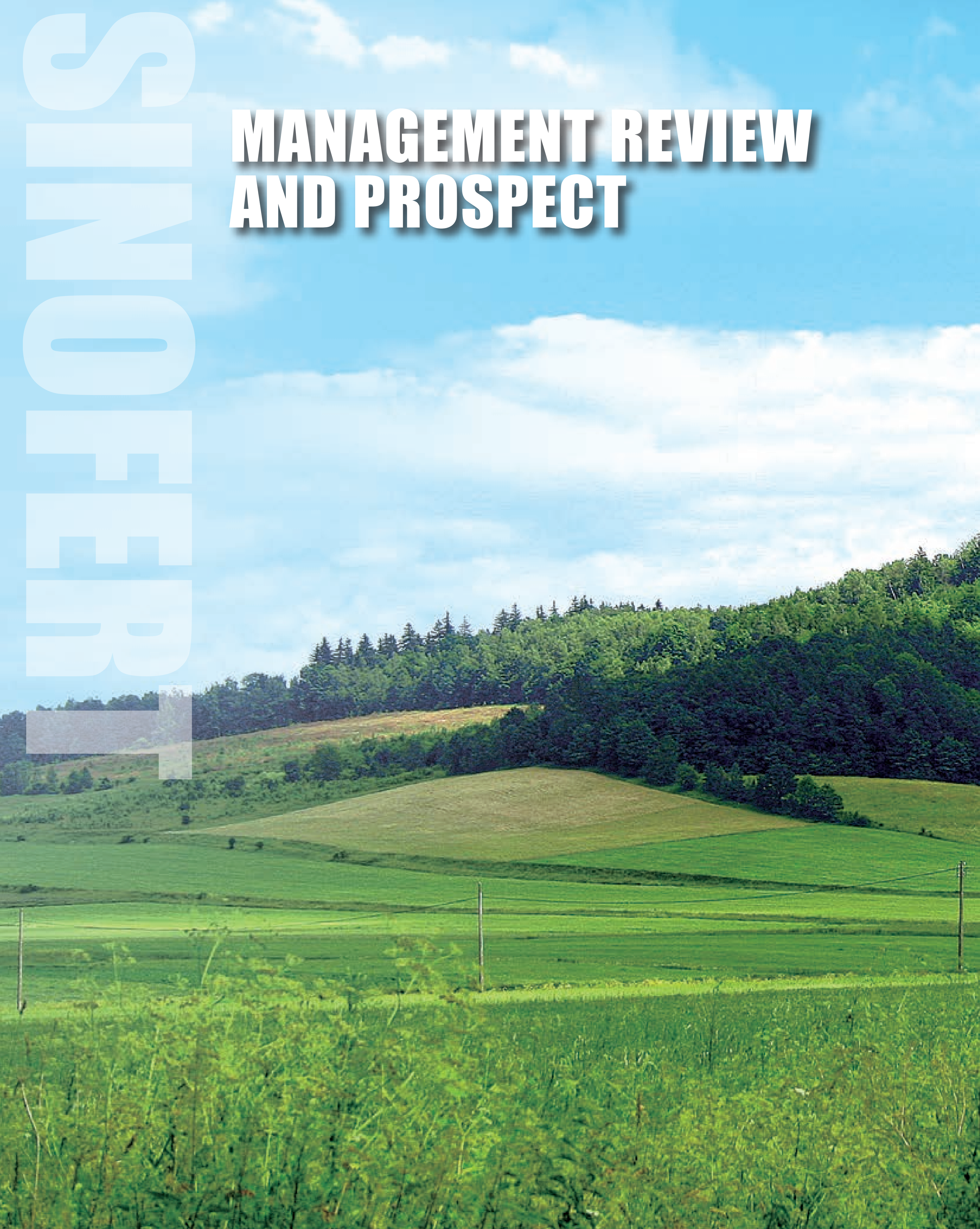
Confronted with a complex market environment, the Group will stick to the principle of "changing work style, training hard the internal strength, bringing forth new ideas for operation, deepening transformation and ensuring the leading status in the industry", persist in advancing the seven strategies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

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

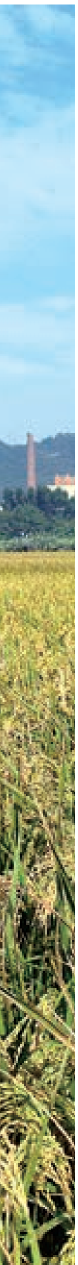
Last but not the least, on behalf of the Board, I would like to take this opportunity to extend our appreciations to the shareholders, customers, the management and employees of the Group. We hope to have your continuous concern and support in the future, and expect the management and employees to stay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

Liu De Shu
Chairman of the Board

Hong Kong, 27 March 2014



MANAGEMENT REVIEW AND PROSPECT



Business Environment

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

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

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

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

Financial Highlights

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

Resource Guarantee

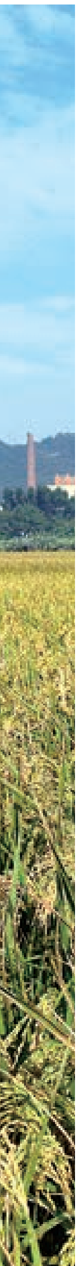
In the year 2013, Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong"), a subsidiary of the Group, brought into full play its advantage of 300 million tons of high-quality phosphate resources and continued to make more efforts in phosphate mine development. The exploration of Mozushao phosphate mine fully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

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

Production and Manufacturing

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

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



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

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

Marketing Services

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

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

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

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

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

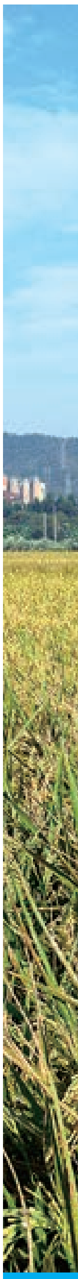
Monocalcium (MCP)/Monodicalcium phosphate (MDCP) operations: Sales volume of MCP/MDCP in 2013 amounted to 220,000 tons. In terms of production, the utilization rate of low-grade phosphate rock was enhanced, the per capita consumption of sulphuric acid products reduced, successfully passed the external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

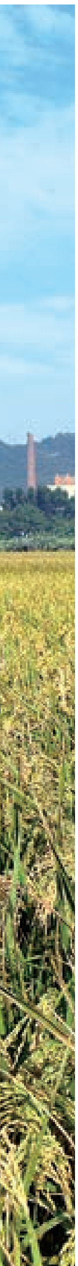
In 2013, the Group continued to optimize the existing distribution network and consolidated the customer base so as to optimize the product structure, strengthen the service providing capacity for customers and improve the profitability of the distribution network. 240 distribution centres were optimized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

Internal Control and Management

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

The Group's internal control and risk management system was built according to the "Internal Control-Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (hereinafter referred to as "COSO") in the United States and the "Internal Control and Risk Management-A Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants, and was in reference to the "Basic Rules of the Enterprise Internal Control" and





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

Corporate Social Responsibility

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

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

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

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

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

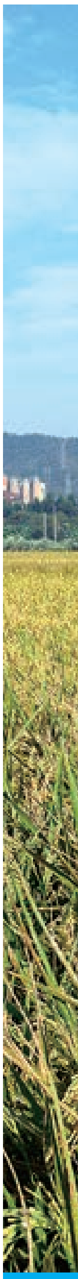
The Group continued to strengthen HSE management, combined it with production operation and the enterprise's sustainable development, built a professional HSE team, strengthened the building and training of HSE system in the headquarters and relevant key enterprises, constantly promoted corrective actions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

Outlook

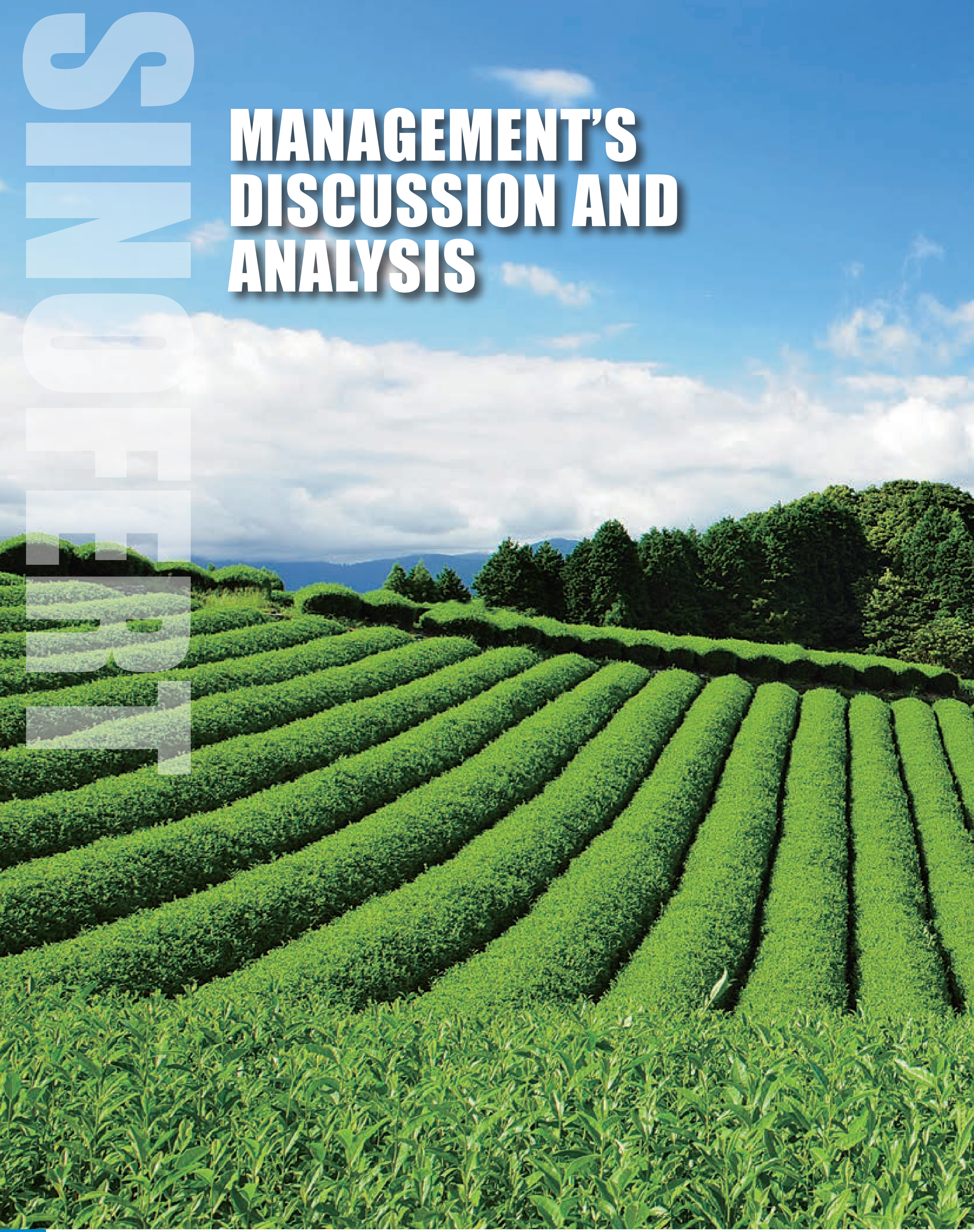
In 2014, the world economy starts to recover, the growth of the Chinese economy slows down and the reform roadmap for the next 5-10 years is basically clear. The Chinese government will continue to promote economic restructuring, seek progress while ensuring stability, deepen reform so as to realize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

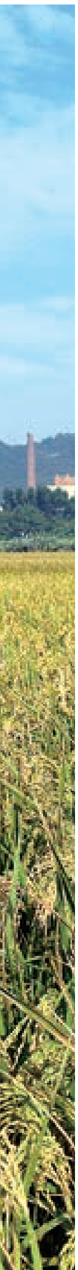
The 18th Central Committee of the CPC put forward the following targets: to guarantee key grain supply and to ensure national grain safety; to improve contracted land management rights, to accelerate the construction of new agricultural management system, to promote large-scale agricultural production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

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



MANAGEMENT'S DISCUSSION AND ANALYSIS





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

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

I. Operation Scale

1. Sales Volume

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

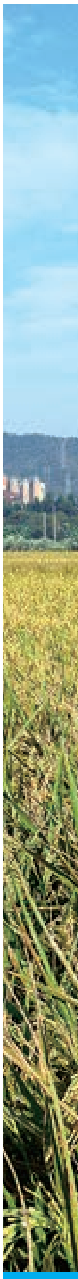
In terms of product mix, sales volume of potash, nitrogen, compound fertilizer and phosphate of the Group declined by 5.58%, 4.87%, 8.75% and 5.48% respectively year on year due to the weak fertilizer market. Under the severe market conditions, the Group still maintained a relatively high market share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

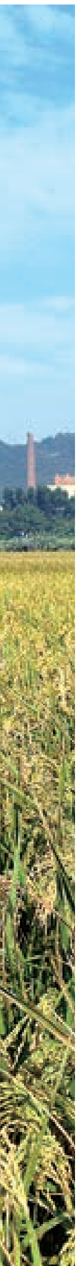
2. Turnover

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

Table 1:

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





3. Turnover and Result by Segment

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

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

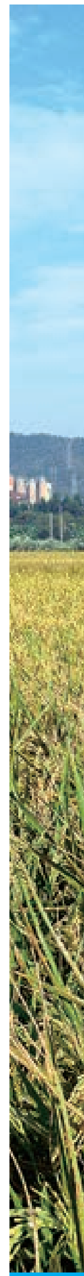
Table 2:

2013

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

2012

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



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

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

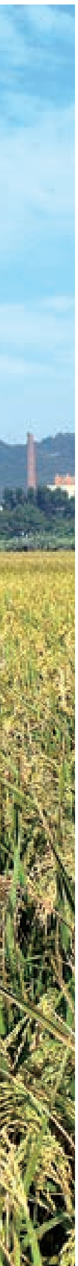
For the twelve months ended 31 December 2013, the segment loss of the Group was RMB191 million. Among which, Marketing Segment successfully realized a profit of RMB62 million through accelerating the inventory turnover in the descending market conditions, decreased by RMB469 million over the corresponding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

II. Profit

1. Gross profit

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

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



production and sales and optimizing channels, etc.; in terms of compound fertilizer, marketing capabilities and brand competitiveness improved significantly and gross profit kept relatively stable through deepening the transformation of marketing, and adopting the business model with the integration of research, production, supply and sales.

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

2. Share of results of joint ventures and associates

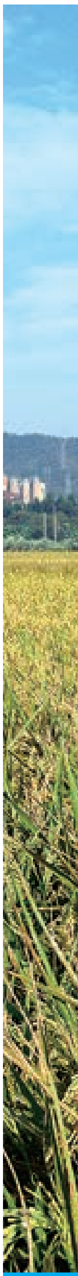
Share of results of joint ventures: For the twelve months ended 31 December 2013, the share of results of joint ventures of the Group amounted to a loss of RMB15 million, decreased by RMB83 million year on year from a profit of RMB68 million in 2012. This was mainly attributable to that the oversupply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

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

3. Income tax expenses

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

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



4. Net loss attributable to owners of the Company

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

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

III. Expenditures

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

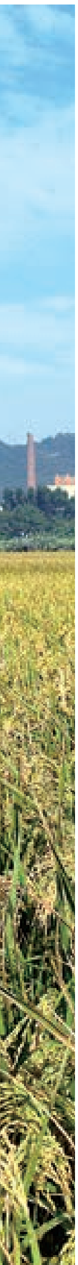
Selling and distribution expenses: For the twelve months ended 31 December 2013, selling and distribution expenses amounted to RMB854 million, increased by RMB50 million or 6.24% from RMB804 million over the corresponding period of 2012. The increase was mainly attributable to the fact that the logistics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

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

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

IV. Other Income and Gains

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



V. Other Expenses and Losses

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

VI. Gains on Deemed Disposal of Interest in a Subsidiary

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

VII. Inventory

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

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

VIII. Trade and Bills Receivables

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

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

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

IX. Interests in Joint Ventures

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

X. Interests in Associates

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

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

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

XI. Available-for-sale Investments

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

XII. Interest-bearing borrowings

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

(1) Borrowings

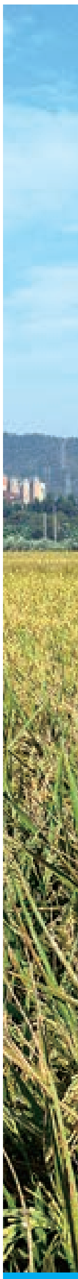
As at 31 December 2013, the balance of the Group's borrowings amounted to RMB2,911 million, decreased by RMB1,552 million or 34.76% from RMB4,463 million as at 31 December 2012. This was mainly attributable to that the Group repaid part of the external borrowings and cut down the scale of borrowings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

(2) Short-Term Commercial Paper

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

XIII. Trade and Bills Payables

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



XIV. Other Financial Indicators

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

Table 3:

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

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

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

As at 31 December 2013, the Group's current ratio was 1.17, and the debt-to-equity ratio was 29.43%. The Group achieved a more stable financial structure through actively undertaking various operating measures under the weak fertilizer market.

Table 4:

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

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

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

XV. Liquidity and Financial Resources

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

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

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

Table 5:

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

Table 6:

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

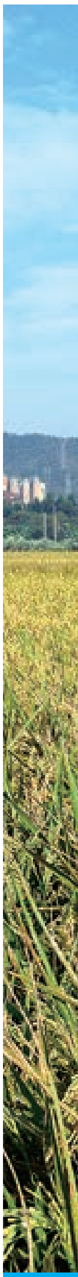


Table 7:

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

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

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

XVI. Operation and Financial Risks

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

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

Market risk

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

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

Credit risk

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

Liquidity risk

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

XVII. Contingent Liabilities

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

XVIII. Capital Commitment

Table 8:

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

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

XIX. Material Investments

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

XX. Material Disposal

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

XXI. Human Resources

As at 31 December 2013, the Group had about 7,961 full-time employees (including those employed by subsidiaries), and employees' remuneration was determined with reference to market rates. The key components of the Group's remuneration package included basic salary, and where applicable, other allowances, incentive bonus, mandatory provident funds, state-managed retirement benefits scheme and share options granted under the share option schemes of the Company. For details of the remuneration policy of the Group, please refer to the "Corporate Governance Report" of this annual report on page 47.

January 2013

The Group entered into import contracts of sea-borne potash of the first half of 2013 with Canpotex.

"Tengsheng" brand of Sinochem Chongqing Fuling Chemicals Co., Ltd. (Sinochem Fuling), a subsidiary of the Group, was accredited as "China Famous Brand" by the State Administration for Industry and Commerce (SAIC).

February 2013

Sinochem Yunlong Co., Ltd., a subsidiary of the Group, was officially approved and recognized as a National High and New Technology Enterprise by the Ministry of Science and Technology.

March 2013

The Group released its 2012 Annual Report.

The Group entered into "Strategic Partnership Agreement on Jointly Promoting Formula Fertilization between the Ministry of Agriculture and the companies" with the National Agricultural Technology Extension Service Center. Through the service stations of soil testing and formula fertilization, the application of formula fertilizers will be promoted comprehensively, which will be helpful to safeguard China's food security, ensure the quality of agricultural products and protect the agricultural ecology.

Sinochem Fertilizer Company Limited, a subsidiary of the Group, was accredited as a "National Model Enterprise of Deep Integration of Information Technology Enhancement and Industrialization" by the Ministry of Industry and Information Technology.

April 2013

The Group attended the regional International Fertilizer Industry Association (IFA) conference in China, and exchanged ideas with IFA, various fertilizer associations and major Chinese fertilizer enterprises on the current situation and outlook of the fertilizer market.

May 2013

The Group entered into "Memorandum of Understanding on Strategic Cooperation for 2013" with the Ministry of Agriculture on jointly organizing the science and technology initiative of "double growth 200" for corn and the 2^{nd} "Sinochem Cup King Corn" event in northeastern China.

Seminar on the kick-off and implementation plan of "Research and Application of Specialty and High Efficiency Fertilizer for Regional Grain Crops", a project undertaken by the Group and supported by "Key Projects in the National Science & Technology Pillar Program" was convened in Beijing.

The Group attended the 81^{st} IFA Annual Conference in the United States and conducted discussions with major international fertilizer suppliers.

June 2013

Mr. Yue Qingguo, Director of Chemical Group 4 of Purifying Workshop of Sinochem Changshan Chemicals Co., Ltd., a subsidiary of the Group, was granted National "May 1" Labor Medal. The Phosphoric acid Workshop of No. 2 Ammonium Phosphate Plant of Sinochem Chongqing Fuling was granted "National May 1 Pioneer Labor award".

July 2013

Yunnan Three Circles-Sinochem Fertilizer Company Limited, a joint venture of the Group, and Guiyang Sinochem Kailin Fertilizer Company Limited, an available-for-sale investment of the Group, were granted "Benchmarking Companies of Efficiency Forerunner" in 2012.

August 2013

The Group released its 2013 Interim Report.

September 2013

The Group entered into Memorandum of Understanding for 2014-2016 with Arab Potash Company of Jordan (APC).

The Group attended Annual Conference of The Fertilizer Institute (TFI) in Canada and conducted in-depth discussions with strategic partners and major suppliers.

October 2013

The Group attended the 34^{th} annual conference of the Production and International Trade (PIT) Committee of IFA in Ukraine. Mr. Feng Zhibin, then chief executive officer of the Company, chaired the conference as the Chairman of the PIT Committee.

The Group entered into Memorandum of Understanding for 2014-2016 with Belarusian Potash Company (BPC).

December 2013

The Group entered into Memorandum of Understanding on Exclusive Agency in the China Region for 2014 with Canpotex.

Directors

Mr. LIU De Shu – Chairman of the Board and Non-Executive Director

Mr. LIU De Shu, aged 61, joined the Company in April 2004, is currently the Chairman of the Board. Mr. Liu graduated from Tsinghua University in China in April 1979 and got his EMBA degree from China Europe International Business School in 1998. In March 1998, Mr. Liu was appointed as President of Sinochem Group, parent company of Sinochem Hong Kong (Group) Limited. Before joining Sinochem Group, he had been the Deputy General Manager, General Manager and Chairman of China National Machinery Import and Export Corporation.

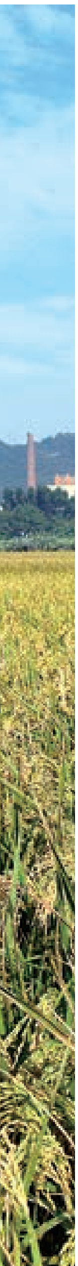
Mr. Liu holds other senior positions in several subsidiaries and joint venture companies of Sinochem Group. These positions include Chairmen of Sinochem Corporation, Sinochem Quanzhou Petrochemical Co., Ltd. and Far East Horizon Limited, and director of Commercial Aircraft Corporation of China Limited and China International Trade Center.

Mr. Liu has rich business management experience and strong enterprise leadership, and has profound understanding of and yet pragmatic experiences in corporate strategic development, operation and internal control. Due to the outstanding performance of Sinochem Group under his leadership, Mr. Liu was honored as one of the "30 Economic Figures During China's 30-Year Opening up and Reform" sponsored by China Society of Economic Reform in 2008, one of the "Most Influential Business Leaders in China" by Fortune (Chinese Edition) in three consecutive years from 2011 to 2013, and one of the "National Outstanding Enterpreneurs" by China Enterprise Confederation in 2012. In 2013, Mr Liu was awarded as one of the ten most innovative Chinese enterprise leaders by The Chinese Association of Productivity Science.

Currently, Mr. Liu is a member of the 12^{th} National People's Congress (NPC), the vice chairman of the 12^{th} session of the NPC Environmental and Resources Protection Committee and a director of International Academy of Management (IAM).

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

Mr. Wang Hong Jun, aged 49, 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 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. Mr. Wang was once worked for Shenyang Architectural and Civil Engineering University and China Institutes of Contemporary International Relations. In 1995, he joined Sinochem Group and had held various positions including the Deputy Manager of 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, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, from March 2007 to June 2011.



Mr. Harry YANG – Executive Director and Deputy General Manager

Mr. Harry YANG, aged 51, is an Executive Director and Deputy General Manager of the Company, mainly responsible for overseeing the Company's investment, 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. In 2002, Mr. Yang was appointed as the Deputy Director of fertilizer centre, and was promoted to the present position 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 50, joined the Company as 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 CFO 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 of Hong Kong Limited (stock code: 3360). Mr. Yang has been a director of Sinochem International Corporation, a subsidiary of Sinochem Group 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 Franshion Properties (China) Limited, a subsidiary of Sinochem Group and listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 0817), since February 2014.

Dr. Stephen Francis DOWDLE – Non-executive Director

Dr. Stephen Francis DOWDLE, aged 63, 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. During the year and up to 31 December 2013, he was a director of Phosphate Chemicals Export Association, Inc., an export marketing association composed of two phosphate fertilizer companies through which member companies market and sell phosphate fertilizers, which ceased operation on 31 December 2013. 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 28 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 47, 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 senior director of International Sales Department (Fertilizer and Feed) of PCS Sales (USA), Inc.. Prior to that, she was the manager of International Sales Department, the 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. from January 2006 to June 2010, from July 2010 to December 2010, and from January 2011 to June 2012, respectively. Ms. Xiang joined Potash Corporation of Saskatchewan Inc. in 1999, and had 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 14 years of experience in fertilizer business with a deep understanding of the international fertilizer market.

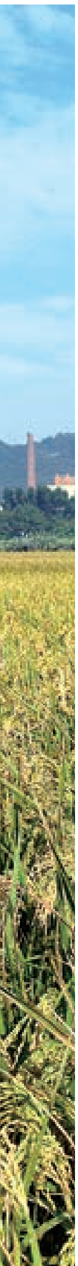
Mr. KO Ming Tung, Edward – Independent Non-executive Director and the Chairman of Nomination Committee

Mr. KO Ming Tung, Edward, aged 53, was appointed as an Independent Non-executive Director of the Company in April 2000. He is also the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration 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 22 years.

Other than the directorship in the Company, currently, Mr. Ko is also an independent non-executive director of Wai Chun Group Holdings Limited and Interchina Holdings Company Limited, and a non-executive director of Harmonic Strait Financial Holdings Limited, all of which are companies whose shares are listed on the Main Board of the Stock Exchange. Mr. Ko was previously an independent non-executive director of Kai Yuan Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange.

Dr. TANG Tin Sek – Independent Non-executive Director and the Chairman of Remuneration Committee

Dr. TANG Tin Sek, aged 55, was appointed as an Independent Non-executive Director of the Company in April 2000. He is also the Chairman of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee of the Company. Dr. Tang obtained a Bachelor of Science degree from the University of Hong Kong in 1980, a Master of Business Administration degree from the University of Sydney, Australia in 1990 and a Doctor of Accountancy Degree from the Hong Kong Polytechnic University in 2004. Dr. Tang is a Certified Public Accountant and a partner of Terence Tang & Partners. He has over 33 years' experience in corporate finance, business advisory, financial management and auditing. Dr. Tang is a member of the Chinese Institute of Certified Public Accountants, the Institute of Chartered Accountants in Australia and the Chartered Association of Certified Accountants in the United Kingdom.



Other than the directorship in the Company, currently, Dr. Tang is also an independent non-executive director of CEC International Holdings Limited whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. In addition to the above, in November 2013, Mr. Tang was appointed as an independent non-executive director of Spring Asset Management Limited, the fund manager of Spring Real Estate Investment Trust whose units are listed on The Stock Exchange of Hong Kong Limited.

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

Mr. TSE Hau Yin, Aloysius, aged 66, 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, Wing Hang Bank, Limited, Linmark Group Limited and SJM Holdings Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited. In addition to the above, in March 2013, Mr. Tse was appointed as 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 of Hong Kong Limited. He was an independent non-executive director of China Construction Bank Corporation, which is listed on the Main Board of The Stock Exchange of Hong Kong Limited, from 2004 to 2010.

Senior Management

Mr. FENG Ming Wei – Deputy General Manager

Mr. FENG Ming Wei, aged 51, 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 the Master 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

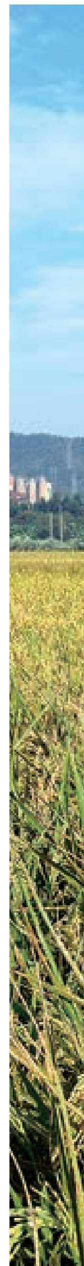
Mr. LU Fang Bin, aged 45, is the Deputy General Manager of the Company. Mr. Lu graduated from Tsinghua University in 1994 with a master degree of Chemical Engineering. Mr. Lu joined Sinochem Group in 1994 and once served as deputy Chief of the second section in the first importation office in Sinochem Plastics Co., Ltd., as deputy general manager and general manager in Sinochem (USA) Inc., and as marketing director in Sinochem Lantian Corporation Limited. Mr. Lu joined the Company in June 2012 and was promoted to the present position since then.

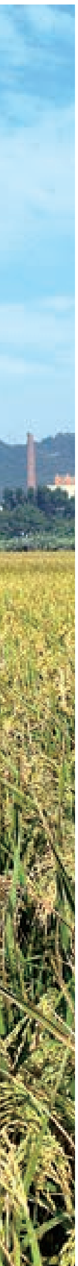
Mr. LI Yang Jing – Deputy General Manager

Mr. LI Yang Jing, aged 41, is the Deputy General Manager of the Company. Mr. Li graduated from Shenyang Institute of Chemical Technology in 1995 majoring in Chemical Engineering with a bachelor's degree of Engineering, and acquired 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, 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 43, is Chief Financial Officer of the Company. Mr. Gao graduated from Chongqing Institute of Industrial Management in 1993 with a Bachelor's degree in Financial Accounting. Mr. Gao obtained an on-job Master's degree in Business Administration from Renmin University of China in 2002. Mr. Gao has extensive experience in accounting, financial management and corporate finance. He worked in Wuzhou Engineering Design and Research Institute from 1993 to 1999 and had served successively in the Investment Department and Finance Department of China National Chemicals Import and Export Corporation from 1999 to 2002. From 2002 to 2006, Mr. Gao worked in the Accounting Management Department of Sinochem Group. From August 2006 to August 2007, Mr. Gao acted as the Deputy General Manager of the Finance Department in Qinghai Salt Lake Industry Group Co., Ltd.. From August 2007 to June 2008, Mr. Gao served as the 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. Prior to his appointment as the Chief Financial Officer of the Company in July 2011, Mr. Gao served as the chief financial officer in Sinochem Lantian Co., Ltd..





Mr. LI Bing – Deputy General Manager

Mr. LI Bing, aged 45, is the Deputy General Manager of the Company. Mr. Li graduated from Tianjin University majoring in Chemical Engineering in 1990 and acquired a master 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, he joined Sinochem Group, in which he had held positions as assistant to the general manager in investment department, vice-president in Sanxing company, president of Xi'an Modern Environmental Chemical Co., Ltd. and vice-president in 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 39, 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 in 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 manager of distribution management department, general manager of phosphate and compound fertilizer department and general manager of nitrogen fertilizer department of Sinochem Fertilizer Company Limited. 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.

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") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Compliance with the Corporate Governance Code

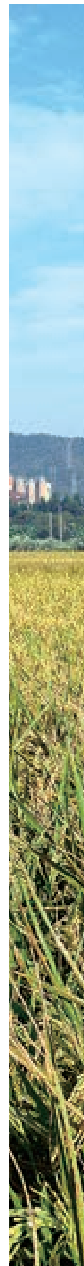
The Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules (the "Corporate Governance Code") sets out the principles of good corporate governance, and two levels of recommendations: (a) code provisions; and (b) recommended best practices. It also includes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

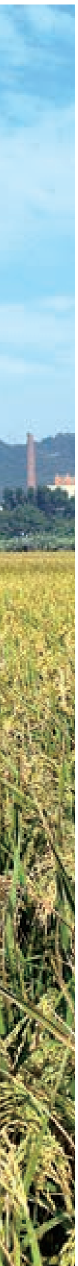
The code provision A.1.7 stipulates that, a board meeting should be held if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material. In addition, independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting. During the year and up to the date of this report, the Board approved several connected transactions by circulation of written resolutions in lieu of physical board meeting, for which certain Directors who are nominated by the ultimate controlling or substantial shareholders of the Company, were regarded as having material interests therein. As the Directors of the Company are living and working in different countries which are far apart, adoption of written resolutions in lieu of physical board meetings allows the Board to make a decision relatively quicker in response to the rapid change in the fertilizer markets. Before formal execution of the written resolutions, the Directors had discussed the matters via emails and made amendments to the transactions as appropriate.

The code provision E.1.2 provides that, among others, the chairman of the board should attend the annual general meeting of the listed issuer. In the annual general meeting of the Company held on 13 June 2013 ("2013 AGM"), Mr. Liu De Shu, Chairman of the Board, did not chair the meeting due to other essential business engagements. In order to ensure smooth holding of the 2013 AGM, the Chairman of the Board authorized and the Directors attended the meeting elected Mr. Feng Zhi Bin, the former Executive Director and Chief Executive Officer of the Company, to chair the meeting on behalf of the Chairman of the Board. Respective chairmen of the audit, remuneration and nomination committees of the Company were present at the 2013 AGM and were available to answer relevant questions, which was in compliance with other part of code provision E.1.2.

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 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. LIU De Shu, Mr. YANG Lin, Dr. Stephen Francis DOWDLE and Ms. XIANG Dandan; and three are Independent Non-executive Directors, namely Mr. KO Ming Tung, Edward, Dr. TANG Tin Sek and Mr. TSE Hau Yin, Aloysius. The biographical details of the Directors are set out on pages 33 to 36 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 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.

Independence of the Board

The Board has received from each of the Independent Non-executive Directors a written annual confirmation of their independence ("Independence Confirmation") 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 and Dr. Tang Tin Sek, the Company's Independent Non-executive Directors, have served the Board for more than 13 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-appointments of Mr. Ko and Dr. Tang as Independent Non-executive Directors of the Company were approved by shareholders in separate resolutions at the annual general meeting of the Company held on 14 June 2012. In assessing the independence of Mr. Ko Ming Tung, Edward and Dr. Tang Tin Sek, the Board took into account the fact that both Mr. Ko and Dr. Tang have not engaged in any executive management of the Group, and have demonstrated their ability to provide an independent view to the Company's matters during their terms of office with the Company. The Board believes that Mr. Ko Ming Tung, Edward and Dr. Tang Tin Sek are independent with the Company and comply with the independence requirements of Rule 3.13 of the Listing Rules.

For the year ended 31 December 2013, 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.

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 ultimate shareholder of the Company, to the Board of the Company. Dr. Stephen Francis Dowdle and Ms. Xiang Dandan also hold senior positions in PotashCorp and/or its subsidiaries.

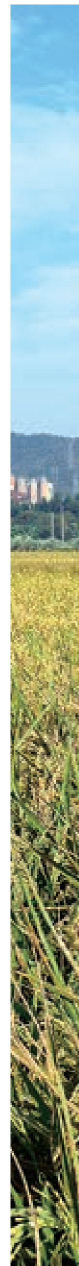
Other than as described above, there is no other relationship among the members of the Board and, in particular, between the Chairman and the Chief Executive Officer.

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

The Board of Directors is responsible for reviewing and approving of the Company's strategy management, financial management, investment management, asset disposal and other matters, implementation of the resolutions passed in the general meetings and supervision on 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 Chairman, is responsible to lead and ensure the effective management of the Board. Mr. Feng Zhi Bin, acting as the Chief Executive Officer during the year under review, is responsible for the effective implementation of the policies formulated by the Board and the management of the businesses and operations of the Group. Upon the appointment of Mr. Wang Hong Jun as Chief Executive Officer of the Company on 7 March 2014, Mr. Wang has taken up full responsibility on the effective management 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 2013, 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, the Company arranged and funded a seminar, which was conducted by a professional legal firm, on the statutory requirements in respect of disclosure of inside information and the recent updates under the Listing Rules. 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.

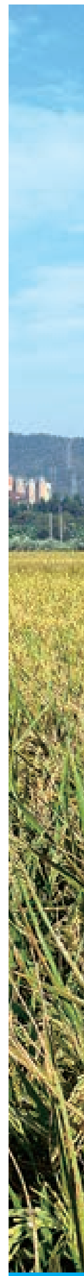
In addition, the Company provided regular updates to the Directors in respect of the business and operations of the Group through monthly reports; and of the changes in Listing Rules, Corporate Governance Code and related regulatory requirements, if any.

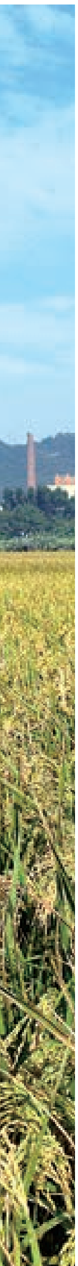
Board meetings

For the year ended 31 December 2013, the Board totally held four meetings to discuss and review the Group's strategies and planning, the Company's annual report, interim report, dividend policy, investment projects, 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 Chairman, Mr. Liu De Shu, and other members of the Board at the Board meetings were as follows:

	Attendance rate
Executive Directors	
Mr. Feng Zhi Bin *(former Chief Executive Officer)* *(note)*	4/4
Mr. Harry Yang	4/4
Non-executive Directors	
Mr. Liu De Shu *(Chairman)*	4/4
Mr. Yang Lin	3/4
Dr. Stephen Francis Dowdle	4/4
Ms. Xiang Dandan	4/4
Independent Non-executive Directors	
Mr. Ko Ming Tung, Edward	4/4
Dr. Tang Tin Sek	4/4
Mr. Tse Hau Yin, Aloysius	4/4

Note: Mr. Feng Zhi Bin ("Mr. Feng") resigned as an Executive Director and Chief Executive Officer on 7 March 2014 and Mr. Wang Hong Jun was appointed as an Executive Director and Chief Executive Officer with effect on the same date in place of Mr. Feng.





Committees of the Board of Directors

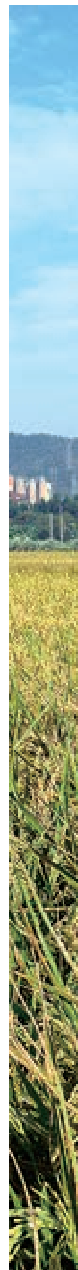
Audit Committee

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 Dr. Tang Tin Sek.

The completed set of the latest terms of reference of the Audit 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 Audit Committee are summarized in the following aspects, including but not limited to (1) responsible for the relationship with the external auditors including but not limited to review and monitor 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 and internal control procedures.

The Audit Committee held five meetings during the year ended 31 December 2013. The Chief Financial Officer or the Deputy Chief Financial Officer and the external auditors had also attended the meetings. The Audit 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 these meetings were as follows:

	Attendance rate
Independent Non-executive Directors	
Mr. Tse Hau Yin, Aloysius *(Chairman)*	5/5
Mr. Ko Ming Tung, Edward	5/5
Dr. Tang Tin Sek	5/5



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 Board approval;

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

3. reviewed the independence of the external auditor, 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 2013;

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

5. reviewed and commented on 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;

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;

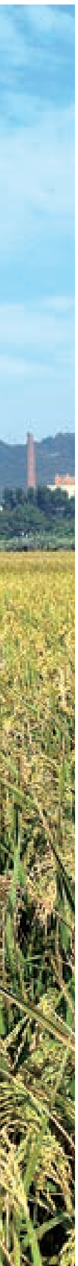
8. reviewed the continuing connected transactions conducted in 2013; and

9. reviewed announcements in respect of the release of quarterly consolidated and company financial statements of Sinochem Fertilizer Company Limited, a wholly-owned subsidiary of the Company, under the disclosure requirement in relation to its issue of first tranche of RMB1 billion short-term commercial paper in 2013 in the PRC.

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 comprises five members. The Chairman of the Remuneration Committee is Dr. Tang Tin Sek and the other members are Mr. Ko Ming Tung, Edward, Mr. Tse Hau Yin, Aloysius, Dr. Stephen Francis Dowdle 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.

The completed set of 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 met once during the year ended 31 December 2013. 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 meeting were as follows:

	Attendance rate
Independent Non-executive Directors	
Dr. Tang Tin Sek *(Chairman)*	1/1
Mr. Ko Ming Tung, Edward	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 Remuneration Committee had completed the following work during the year:

1. approved the proposal on performance bonus for Executive Directors and senior management for the year 2012;

2. approved the remuneration package (including cash compensation and bonus scheme) of Executive Directors and senior management for the year 2013;

3. made recommendation to the Board in respect of the compensation proposal for Non-executive Directors and Independent Non-executive Directors for the year 2013;

4. approved the revision of salaries of senior management during the year; and

5. approved the re-appointment of remuneration consultant.

Remuneration policy of the Group

The key components of the Group's remuneration package include basic salary, and where applicable, other allowances, incentive bonus, mandatory provident funds, state-managed retirement benefits scheme and share options granted under the share option schemes of the Company. The objective of the Group is to associate the interests of key employees with the performance of the Group and the interests of shareholders, as well as to achieve a balance of short-term and long-term benefits through a reasonable system. Meanwhile, the Group also aims at maintaining the competitiveness of the overall compensation. The level of cash compensation to employees offered by the Group varies with the importance of duties. The higher the importance of duties, the higher the ratio of incentive bonus to total remuneration. This can help the Group to recruit, retain and motivate high-calibre employees required for the development of the Group and to avoid offering excess reward.

The emoluments payable to Directors are determined with reference to the responsibilities, qualifications, experience and performance of the Directors. They include incentive bonus primarily determined based on the results of the Group and share options granted under the share option schemes of the Company. The Remuneration Committee performs regular review on the emoluments of the Directors. No Director, or any of his associates and executives, is involved in deciding his/her own emoluments.

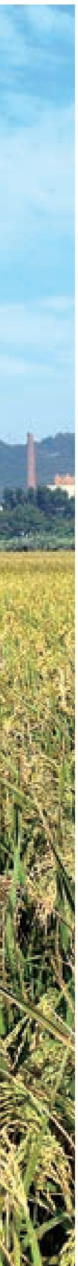
The Group reviews its remuneration policy annually and engages professional consultant, if necessary, to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 31 December 2013, the Group had about 7,961 full-time employees (including those employed by the Group's subsidiaries), and their remuneration is determined with reference to market rates. No individual employee shall have the right to determine his/her own remuneration.

In addition to the basic remuneration, the Group also value the importance of training and career development of employees. In 2013, the Group provided 13,266 hours of training in aggregate for about 2,296 person-times (any training organized by the subsidiaries have not been included in these numbers). The training courses covered areas such as industry development, leadership enhancement, marketing management, operation and management, laws and regulations, lean management, project management, finance, logistics, human resource management, information technology, safe production and general working skills. These training will further improve the management skills and professional 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.

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. Tang Tin Sek, Mr. Tse Hau Yin, Aloysius, Dr. Stephen Francis Dowdle 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.

The completed set of the latest terms of reference of the Nomination Committee, which have been revised in accordance with the amendments of the Corporate Governance Code became effective on 1 September 2013, 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 2013. The attendance rates of each of the committee members at the aforesaid meeting were as follows:

	Attendance rate
Independent Non-executive Directors	
Mr. Ko Ming Tung, Edward *(Chairman)*	1/1
Dr. Tang Tin Sek	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;
5. reviewed the revised nomination policy of the Company; and
6. formulated and adopted board diversity policy of the Company.

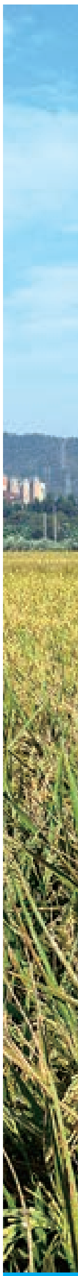
Board diversity policy of the Company

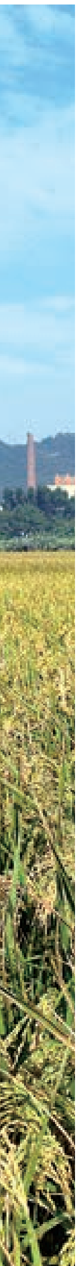
The Board newly adopted a board diversity policy on 27 March 2013 for the purpose of setting out the approach to achieve diversity on the Board in compliance with the Corporate Governance Code. The policy states that, in designing the Board's composition, board diversity has been considered from a number 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 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. During the year of 2013, the Chairman of the Corporate Governance Committee is Mr. Feng Zhi Bin (Executive Director and Chief Executive Officer) and the other members are Mr. Harry Yang (Executive Director), Ms. Cheung Kar Mun, Cindy (Company Secretary) and Ms. Dong Jiao Jiao (Deputy General Manager of Legal Department). Subsequently on 7 March 2014, Mr. Feng Zhi Bin resigned as the Chairman of the Corporate Governance Committee and Mr. Wang Hong Jun was appointed as the Chairman of the Corporate Governance Committee on the same date.

The completed set of 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 31 December 2013. The attendance rates of each of the committee members at the aforesaid meeting were as follows:

	Attendance rate
Executive Directors	
Mr. Feng Zhi Bin *(former Chairman)* *(Note 1)*	1/1
Mr. Harry Yang	1/1
Management	
Ms. Cheung Kar Mun, Cindy	1/1
Ms. Dong Jiao Jiao *(Note 2)*	1/1

Notes:

1. Mr. Feng Zhi Bin resigned as the chairman of Corporate Governance Committee on 7 March 2014 and Mr. Wang Hong Jun was appointed as the chairman of Corporate Governance Committee with effect on the same date in place of Mr. Feng.

2. Ms. Zhang Xiao Qian ("Ms. Zhang") resigned as a member of the Corporate Governance Committee with effect on 28 February 2013. Ms. Dong Jiao Jiao was appointed as a member of the Corporate Governance Committee with effect on 28 February 2013 in place of Ms. Zhang.

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

1. formulated the corporate governance plan of the Company for 2013;

2. approved the appointment of Ms. Dong Jiao Jiao to replace Ms. Zhang Xiao Qian as a member of the Corporate Governance Committee;

3. formulated the board diversity policy of the Company for submission for approval by the Nomination Committee and the Board; and

4. reviewed and approved the disclosures in relation to the corporate governance standards of the Company in relevant reports.

Communication with Shareholders

Shareholders communication policy

The Company has adopted the shareholders communication policy ("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

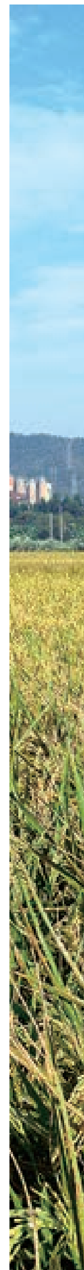
Designated contacts and enquiry lines of the Company have been provided in the "Corporate Information" section of this annual report to inform the shareholders and the investment community the channels to make enquiries in respect of the Company. To the extent that the requisite information of the Company 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.

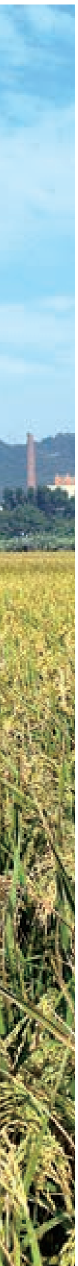
General meetings

Annual general meeting is one of the principal channels for the Company to communicate with the shareholders. 2013 AGM of the Company was held on 13 June 2013, in which Mr. Feng Zhi Bin, the then Executive Director and 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 2013 AGM and were available to answer relevant questions. The attendance rates of each of the Directors at the 2013 AGM were as follows:

	Attendance rate
Executive Directors	
Mr. Feng Zhi Bin *(former Chief Executive Officer)* *(Note)*	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
Dr. Tang Tin Sek	1/1
Mr. Tse Hau Yin, Aloysius	1/1

Note: Mr. Feng Zhi Bin resigned as an Executive Director and Chief Executive Officer on 7 March 2014 and Mr. Wang Hong Jun was appointed as an Executive Director and Chief Executive Officer with effect on the same date in place of Mr. Feng.





Shareholders' rights

Shareholders holding, at the date of deposit of the requisition, 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 ("SGM"), 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 SGM, 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 SGM, but any SGM 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 2013, 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 2013 were as follows:

	For the year ended 31 December	
	2013	2012
Nature of services	***RMB'000***	*RMB'000*
Audit service (including audit of financial statements and other audit related projects)	**4,389**	4,459
Tax related service	**16**	16
Total	**4,405**	4,475

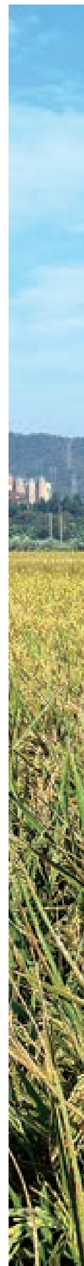
Financial Management

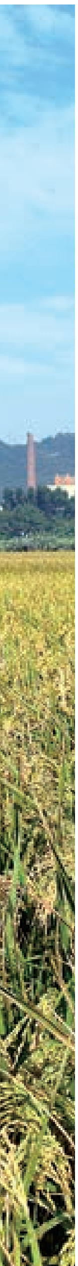
As an important part of corporate governance, the Group has been focusing on the continuous improvement in financial management. In 2013, the Group's main efforts in financial management included works that: focused on enhancing the guiding role of performance evaluation system and intensified the support for merger and acquisition with the Company's strategy taken into consideration; strengthened the management of liquidity risk, constantly promoted the optimization of debt structure, reduced the financing cost and promoted business development; strengthened integrated management, improved the overall qualification and working skills of financial team, and perfected the formation of echelon in different levels. The steady progress of these efforts brought a more solid foundation of financial management and better management skills in the Group, and it better served the Group's strategic progress and business expansion.

In 2013, in terms of performance evaluation, the Group further improved the performance evaluation system, deepened comprehensive budget management, strengthened supervision and control on the whole operation process. The Group also implemented more detailed assessment on subsidiaries focusing on high performance, in order to fully exert the supervision, control and guiding role of performance evaluation.

In 2013, the Group focused the control of its assets, further monitored and evaluated the value of assets, and prompted the improvement of the management performance of production enterprises' assets; meanwhile, in consistency with the Company's strategic development, the Company set up a standardized financial supporting procedures so as to improve the financial service ability for merger and acquisition projects.

In 2013, the Group grasped the opportunity in the changing trend of foreign exchange and interest rate on both domestic and international markets, strengthened integrated fund management, made full use of the low-cost fund in US dollar and reduced the cost of comprehensive funds while meeting the requirement of strategy implementation and business expansion; actively expanded direct financing channels and completed the issuance of RMB1 billion of short-term commercial paper; maintained close cooperation with external banks and continued to hold sufficient banking facilities; cooperated with financial institutions including Postal Savings Bank of China, China Construction Bank, Shanghai Pudong Development Bank (SPD Bank), promoted trade financing of the supply chain and provided financial added-value service to customers; and continued to cooperate with China UnionPay, improved the collection of payment in rural areas and promoted the business development.





In 2013, the Group continued to strengthen the integrated management of financial personnel and improved the professionalism and management ability of the financial personnel through job rotation, training, and introduction of experts; enhance all financial personnel's recognition of the corporate philosophy and improve their execution capacity through cultural promotion activities and system building; and meanwhile, strengthened the echelon building of foundational financial personnel, made efforts on systematic assessment and improvement of the financial team, and laid a personnel foundation for maintaining the continuity of the financial team and constantly improving the working quality.

Internal Control

The Board of Directors understands that, in accordance with the code provision C.2 of the Corporate Governance Code contained in the Listing Rules, it is liable for ensuring the Group's internal control and risk management system to be robust, appropriate and effective, and for reviewing on a regular basis in order to ensure shareholders' interests and the Group's assets safety. During the year, the Group had an annual review of its 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 National Audit Office of P.R.C., Ministry of Finance, China Securities Regulatory Commission, China Banking Regulatory Commission, and China Insurance Regulatory Commission, while complying with the Listing Rules and the Internal Control Framework of US Committee of Sponsoring Organizations (COSO). The review covered all significant aspects of supervision/control, including financial, operational, compliance, and risk management functions.

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 practical effects of internal control and risk management; the Group revised long-and-short term planning of internal control each year, in order to confirm the work objectives, implementing measures, work arrangements and personnel allocation of internal control and risk management, and ensure the development direction of internal control and risk management.

In 2013, the Group insisted on the "risk-oriented" working guideline with the aim of service and goal of added value, and continuously carried out the function of audit and inspection centering on the Company's strategies. According to related requirements of the *Corporate Governance Code* in the Listing Rules and *Internal Control and Risk Management – A Basic Framework* published by Hong Kong Institute of Certified Public Accountants ("HKICPA"), and applying the standards of *Internal Control Framework* of COSO committee and the *Basic Code of Corporate Internal Control* and its accompanying guidelines from five domestic ministries, the Group combined the prevention work of honesty risk, assessment and rectification work of internal control, feedbacks of internal control from SASAC, and concerns of audit committee, assessed the key risk and monitoring points of internal control of the headquarters of the Group, distribution network, production subsidiaries and overseas branches one by one, conducted the comprehensive review to the effectiveness of design and implementation of monitoring elements including internal control environment, risk assessment, monitoring activities, information and communication and internal supervision, and also summarized the related contents including the assessment process of internal control, identification and improvement measures of internal control defects as well as the conclusion of 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 work of the Company through forming healthy mechanism of internal control assessment and improvement.

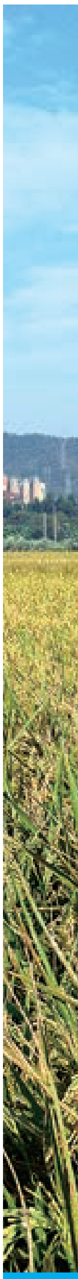
1. Internal control: After years of development, the Group has established a healthy monitoring environment, a regulated governance structure, a clear development strategy, an enterprising and sound corporate culture and human resources management mechanism, and performed social responsibilities proactively in order to lay a solid foundation for the establishment of the Group's well-organized internal control and risk management system.

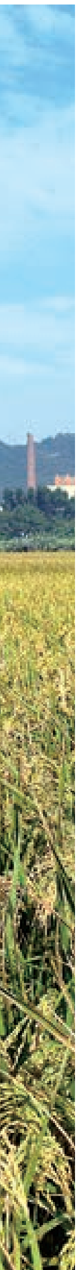
2. Risk assessment: The Group promoted risk management actively, comprehensively assessed each kind of risk the Company might face, built the system of internal control, confirmed significant risk points and obligations of risk management and control, and constantly improved the establishment of risk management system.

3. Control activities: The Group developed relevant control measures in response to corporate internal environment and risk assessment results; improved the effectiveness of internal control through 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 internal and external information channels, IT system and anti-malpractice mechanism, which ensured the information could be delivered timely and accurately.

5. Internal supervision: 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 with ensured 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 2013, to have had a relatively good internal control environment; systematically identified, assessed and coped with risks the Group faced; established 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 would continue to comply with the listing rules of the Hong Kong Stock Exchange and base on Basic Norms of Internal Control and its supporting guidelines. With the working mainline of "notification and early warning, process control and outcome application" and the working focus on constructing a strong and feasible supervision and security system, the Group would establish and improve report and bulletin as well as early warning mechanism, rectification and tracking mechanism, and outcome application system, and further enhance the effectiveness of design and execution of internal control, constantly promote the quality and effectiveness of the internal control, and finally ensure the sound and smooth implementation of the Group's strategic objective.

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.

Confronted with severe global fertilizer market conditions in 2013, 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 2013, the work related to investor relations of the Company mainly included:

1. In March 2013, the Company announced its 2012 annual results, and held press conference and analysts' meeting.

2. In April 2013, the Company conducted non-deal road-show in the United Stated of America, holding face-to-face communication with local large institutional investors.

3. In August 2013, the Company announced its 2013 interim results, and held press conference and analysts' meeting.

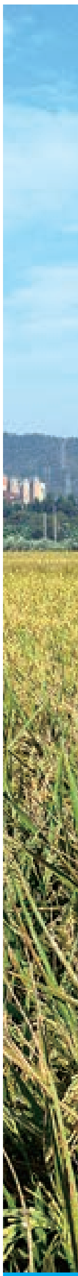
Apart from above-mentioned results announcement and non-deal road-show, the Group participated in several investor conferences organized by investment banks and also adopted multiple ways in daily work including on-site reception, conference call, and email to keep effective communication and connection with investors and analysts. For the twelve months ended 31 December 2013, the Company had conducted about 400 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.

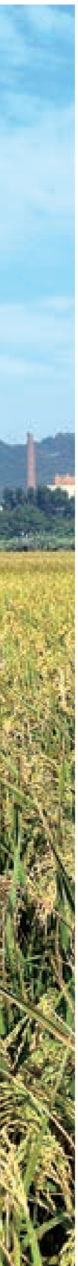
Health, Safety and Environmental Protection

In 2013, the Group continued to adhere to the working guideline of "safety first, prevention priority, and comprehensive control"; implemented seriously the national regulations and requirements concerning safety input, training and education, and supervision and inspection; and achieved the planned goals of no major and above production accidents, no level-IV and above environment events, no accidents of occupational disease hazards, and the like. The Group kept an overall stable situation in health, safety and environmental protection (HSE).

During the year of 2013, the Group stuck to the philosophy of "safeguarding safety with iron hand" and constantly improved HSE (Health, Safety, Environmental Protection) management system; fully implemented safety risk deposit system in production subsidiaries on the basis of carrying through HSE and energy saving and emission reduction responsibilities of all levels of organizations; accelerated the introduction of HSE talents and strengthened the construction of HSE management team; revised and issued the new version of company-level HSE Management Manual and its relevant management system; initiated the campaign of safe production month and enhanced HSE culture through multiple approaches; formulated and released HSE management system on engineering construction project in order to strengthen the supervision and examination of the project and improve the safety level of the project; conducted the work of HSE benchmarking management, striving to be a company with no accident through anti-three-violations, job hazard analysis (JHA), and training and application of Hazard and Operability Analysis (HAZOP), in order to strengthen onsite execution and help staff to identify and avoid operating risk, thus improving safety awareness; carried out HSE examination and assessment in various forms, tracked the progress of treatment of hidden danger in time, and ensured the effectiveness of rectification of hidden danger; enhanced the emergency management, put on records of emergence plan in the Group level, supervised and directed its companies to have emergency drills; strengthened the management of occupational health, perfected related management regulations, and supervised its enterprises to implement the assessment and check-up of occupational health; and intensified the input of environmental protection facilities to ensure the discharge of three wastes to meet the standards of emission, established a safe and environment-friendly enterprise and fulfilled the social responsibility actively.



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 2013.

Principal Activities

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.

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 83 of the annual report.

The Board did not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: final dividend of HK$0.0232, equivalent to approximately RMB0.0187, per share).

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 2013. The aggregate purchase from the Group's five largest suppliers represented around 29% of the Group's total purchases for the year 2013, 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 interest in the largest supplier of the Group.

Save for the above, none of the Directors, their associates or any shareholders (which to the knowledge of the Directors owned more than 5% equity interest 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 34 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 87 to 88 of the annual report.

Distributable Reserves of the Company

As at 31 December 2013, 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$26,115,000 (equivalent to approximately RMB20,532,000) (2012: HK$183,912,000, equivalent to approximately RMB149,134,000).

Donations

During the year ended 31 December 2013, the Group had made approximately RMB800,750 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)*
(appointed on 7 March 2014)
Mr. Feng Zhi Bin *(Former Chief Executive Officer)*
(resigned on 7 March 2014)
Mr. Harry Yang

Non-Executive Directors

Mr. Liu De Shu *(Chairman)*
Mr. Yang Lin
Dr. Stephen Francis Dowdle
Ms. Xiang Dandan

Independent Non-Executive Directors

Mr. Ko Ming Tung, Edward
Dr. Tang Tin Sek
Mr. Tse Hau Yin, Aloysius

In accordance with the bye-laws of the Company, Mr. Harry Yang, Mr. Yang Lin and Ms. Xiang Dandan will retire at the forthcoming annual general meeting of the Company and being eligible, offer themselves for re-election. Mr. Wang Hong Jun was appointed as director of the Company on 7 March 2014 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).

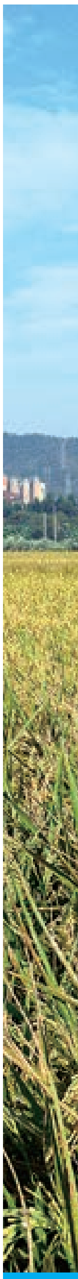
Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management of the Company are set out on pages 33 to 38 of the annual report.

Disclosure of Information of Directors

Pursuant to the disclosure requirements under rule 13.51B(1) of the Listing Rules, the changes/update of information of Directors are as follows:

The Group's fertilizer business remained sluggish under the complex market environment this year. Mr. Feng Zhi Bin, the then Executive Director and Chief Executive Officer of the Company and Mr. Harry Yang, Executive Director and Deputy General Manager of the Company, voluntarily requested a reduction in salary during the year, which was subsequently reviewed and approved by the Remuneration Committee of the Company. Mr. Feng's and Mr. Yang's annual basic salary in 2013 were reduced to RMB1,617,850 and RMB1,432,600 respectively. Mr. Feng resigned as Executive Director and Chief Executive Officer of the Company on 7 March 2014 and Mr. Wang Hong Jun was appointed as Executive Director and Chief Executive Officer of the Company on the same date. For more information in relation to the emoluments of the Directors of the Company in 2013, please refer to note 10 of the consolidated financial statements.



On 26 February 2014, Mr. Yang Lin, Non-Executive Director of the Company, appointed as a non-executive director and a member of the audit committee of Franshion Properties (China) Limited, a subsidiary of Sinochem Group, a substantial Shareholder of the Company, and a Company listed on the Main Board of The Stock Exchange.

Directors' Service Contracts

On 28 July 2011, Mr. Feng Zhi Bin, the then Executive Director and Chief Executive Officer of the Company, and Mr. Harry Yang, Executive Director and Deputy General Manager of the Company, renewed their respective service contracts with the Company for a term of three years, up to 27 July 2014. Pursuant to the terms stipulated in their service contracts, 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. Feng Zhi Bin or Mr. Harry Yang prior to its expiry, Mr. Feng Zhi Bin or Mr. Harry 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.

Mr. Feng Zhi Bin resigned as Executive Director and Chief Executive Officer of the Company on 7 March 2014 and Mr. Wang Hong Jun was appointed as Executive Director and Chief Executive Officer of the Company on the same date. Mr. Wang will enter into a service contract with the Company for a term of three years, the terms of which will be consistent with those of Mr. Feng. For details please refer to the announcement of the Company dated 7 March 2014.

On 22 March 2012, 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 set out in the Corporate Governance Code became effective on 1 April 2012.

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 2013, 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, were as follows:

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

As at 31 December 2013, 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 provide incentives to directors, eligible employees and other eligible participants. On 28 June 2007, the Company has 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. For the year ended 31 December 2013, no share option under the Share Option Scheme was granted. As at 31 December 2013, no share option is outstanding.

Save as disclosed above, as at 31 December 2013, 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 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities of, the Company or any other body corporate, and neither the Directors nor chief executives of the Company, nor any of their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights during the year.

Substantial Shareholders

As at 31 December 2013, 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 2013.

Directors' Interests in Significant Contracts

Save as disclosed herein, no other contracts of significance, to which the Company or any of its subsidiaries was a party and in which a Director of the Company 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 2013, Mr. Harry Yang, Executive Director and Deputy General Manager 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 2013, Dr. Stephen Francis Dowdle, Non-executive Director of the Company, was 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 and up to the date of this report, 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.

References to Listing Rules made under each one-off connected transaction or continuing connected transaction disclosed in this section refer to the then Listing Rules implemented on the relevant date of disclosure.

For the year ended 31 December 2013, 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 connected transactions and continuing connected transactions complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

I One-off Connected Transactions in 2013

For the year ended 31 December 2013, the Group conducted the following one-off connected transactions, which are subject to reporting, announcement, but exempt from independent shareholders' approval under Chapter 14A of the Listing Rules.

1. The Formation of Joint Venture Sinochem Shijiazhuang Logistics among Sinochem Fertilizer, Shijiazhuang Bolong and Sinochem Hebei

On 24 January 2013, Sinochem Fertilizer entered into the Capital Contribution Agreement with Shijiazhuang Bolong and Sinochem Hebei, pursuant to which the parties agreed to establish Sinochem Shijiazhuang Logistics with a registered capital of RMB60 million. Sinochem Shijiazhuang Logistics is owned as to 51% by Sinochem Fertilizer, 30% by Shijiazhuang Bolong and 19% by Sinochem Hebei. Upon completion of its formation, Sinochem Shijiazhuang Logistics became a subsidiary of the Company. Pursuant to the Capital Contribution Agreement, after the establishment of Sinochem Shijiazhuang Logistics, it will construct the Shijiazhuang Agricultural Materials and Logistics Industry Park (the "Project") to be operated by Sinochem Shijiazhuang Logistics. According to the development plan for Sinochem Shijiazhuang Logistics, the total investment amount for the Project will be approximately RMB99.76 million, which is determined after arm's length negotiations among Sinochem Fertilizer, Shijiazhuang Bolong and Sinochem Hebei with reference to the development plan and the estimated capital requirement of Sinochem Shijiazhuang Logistics.

Sinochem Fertilizer is a wholly-owned subsidiary of the Company, and Sinochem Hebei is a wholly-owned subsidiary of Sinochem Corporation, the indirect controlling shareholder of the Company, and therefore Sinochem Hebei is a connected person of the Company as defined under the Listing Rules. Accordingly, the formation of Sinochem Shijiazhuang Logistics under the Capital Contribution Agreement constitutes connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the transaction under the Capital Contribution Agreement exceeded 0.1% but less than 5%, accordingly, the Capital Contribution Agreement is exempt from the independent shareholders' approval requirement under the Listing Rules and is only subject to the reporting and announcement requirements under the Listing Rules.

For detailed information on the aforesaid transaction, please refer to the announcement dated 24 January 2013 published by the Company.

2. *The Purchase of Property from Meixi Lake Properties by Sinochem Fertilizer*

On 7 March 2013, Meixi Lake Properties entered into the Purchase Agreement with Sinochem Fertilizer pursuant to which Meixi Lake Properties agreed to sell and Sinochem Fertilizer agreed to purchase the No.2 Office Building located in Meixi Lake International Research and Development Center, Changsha, Hunnan Province at a consideration of approximately RMB19.34 million, which was arrived at after arm's length negotiations between Meixi Lake Properties and Sinochem Fertilizer based on the prevailing market price for similar properties transacted around the time of the negotiations. The payment of consideration will be made in cash in one lump sum on the date of signing of the Purchase Agreement. Establishing a base in the technology- and ecology-oriented Meixi Lake International Research and Development Center can assist Sinochem Fertilizer in promoting the philosophy of modern agriculture and improve Sinochem Fertilizer's influence and competitiveness in the regional market.

Meixi Lake Properties is an indirect non-wholly owned subsidiary of Sinochem HK which is the controlling shareholder and connected person of the Company, and Meixi Lake Properties is therefore a connected person of the Company under Rule 14A.11 of the Listing Rules. Accordingly, the transaction constitutes a connected transaction for the Company under the Listing Rules. As the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules calculated with reference to the purchase of the Property are over 0.1% but less than 5%, the purchase of the Property is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Rule 14A.32 of the Listing Rules.

For detailed information on the aforesaid transaction, please refer to the announcement dated 7 March 2013 published by the Company.

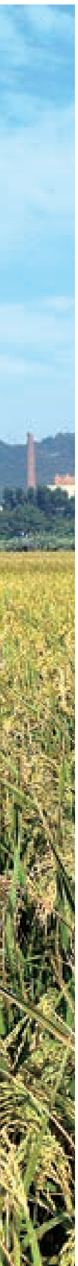
II Continuing Connected Transactions in 2013

For the year ended 31 December 2013, the Group's newly conducted or renewed continuing connected transactions, and the existing 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.

1. *Newly Conducted or Renewed Continuing Connected Transactions in 2013*

(1) *Sulphur and Other Fertilizer Raw Materials Import Framework Agreement for 2013 among Sinochem Fertilizer, Dohigh Trading and Sinochem Group*

On 8 April 2013, Sinochem Fertilizer and Dohigh Trading, wholly-owned subsidiaries of the Company, entered into the sulphur and other fertilizer raw materials import framework agreement with Sinochem Group, the ultimate controlling shareholder of the Company, so as to make full use of domestic preferential policies for import of fertilizer raw materials. The term of the Framework Agreement expired on 31 December 2013. Pursuant to the Framework Agreement, Sinochem Group will import sulphur and other fertilizer raw materials sourced by Dohigh Trading and sell them all to Sinochem Fertilizer. Except for any sulphur and other fertilizer raw materials imported by Sinochem Group on behalf of its other customers, Sinochem Group will sell all the sulphur and other fertilizer raw materials it imports to Sinochem Fertilizer.



Under the 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 are as follows: (i) the price to be 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 to be 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.

According to the announcements of the Company dated 8 April 2013 and dated 20 November 2013, the annual cap for 2013 in respect of the import of sulphur and other fertilizer raw materials by Sinochem Group from Dohigh Trading was revised from US$10,000,000 to US$25,000,000. Such estimates are calculated based on the transaction amount and the projected quantities of purchase by Sinochem Group for Sinochem Fertilizer through the arrangement with Dohigh Trading and the projected average price per tonne of products for the term of the Framework Agreement (which is determined in accordance with the prevailing international market price). The annual cap for 2013 in respect of the sale of sulphur and other fertilizer raw materials by Sinochem Group to Sinochem Fertilizer was revised from RMB62,500,000 to RMB153,487,500. Such estimates are calculated based on the transaction amount and the projected quantities of sale of sulphur and other fertilizer raw materials by Sinochem Group to Sinochem Fertilizer and the projected average price per tonne of products for the term of the Framework Agreement (which is determined in accordance with the domestic wholesale price at port).

Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company. Given that the relevant applicable percentage ratios in respect of the annual caps under the 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 announcement dated 8 April 2013 and the supplemental announcement dated 20 November 2013 published by the Company.

(2) Sulphur and Other Fertilizer Raw Materials Import Framework Agreement for 2014 among Sinochem Fertilizer, Dohigh Trading and Sinochem Group

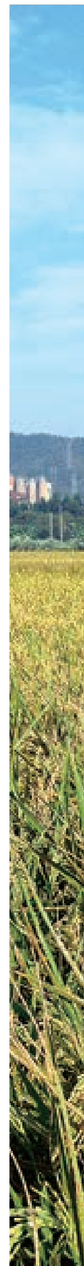
Reference is made to the announcements of the Company dated 8 April 2013 and 20 November 2013 in relation to the Sulphur and Other Fertilizer Raw Materials Import Framework Agreement entered into between Sinochem Fertilizer and Dohigh Trading, indirect wholly-owned subsidiaries of the Company, and Sinochem Group, the ultimate Shareholder of the Company. Such agreement expired on 31 December 2013. On 5 December 2013, Sinochem Fertilizer and Dohigh Trading entered into a new Sulphur Import Framework Agreement with Sinochem Group, pursuant to which Sinochem Group shall 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 2014 to 31 December 2014 (both days inclusive). Pursuant to the Sulphur Import Framework Agreement, Sinochem Group shall only import sulphur and other fertilizer raw materials sourced by Dohigh Trading, and sell them all to Sinochem Fertilizer except for any sulphur and other fertilizer raw materials imported by Sinochem Group on behalf of its other customers.

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 are as follows: (i) the price to be 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 to be 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.

The annual cap in respect of the continuing connected transactions between Dohigh Trading and Sinochem Group under the Sulphur Import Framework Agreement for the year of 2014 is US$55,000,000. In addition, the annual cap in respect of the continuing connected transactions between Sinochem Fertilizer and Sinochem Group under the Sulphur Import Framework Agreement for the year of 2014 is RMB336,000,000.

Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the 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 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 announcement dated 5 December 2013 published by the Company.



(3) *Financial Services Framework Agreement for 2014-2015 between the Company and Sinochem Finance*

As disclosed in the announcement dated 13 December 2012, the Company and Sinochem Finance entered into the former financial services framework agreement. Such agreement expired on 31 December 2013. On 5 December 2013, the Company and Sinochem Finance entered into the Financial Services Framework Agreement under which Sinochem Finance continues to provide financial services to the Group. The Financial Services Framework Agreement became effective from 1 January 2014 to 31 December 2015 (including both days). Pursuant to the Financial Services Framework Agreement, the Group will, from time to time as it deems necessary, utilize the services as 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 service and any other financial services as approved by China Banking Regulatory Commission (CBRC) available from Finance, and pay the relevant interests and service fees to or receive deposit interest from Sinochem Finance. The interests for Deposit Services, the interests payable for the provision of Loans Services, the fees charged for the provision of guarantees, internet banking services and other financial services approved by CBRC are determined by the standard rates as promulgated by the People's Bank of China from time to time or the prevailing market rates. The service fee and relevant interests payable for the arrangement of entrustment loans, commercial bills of exchange services and settlement services will not exceed the service fee and interest payable on such services under the same terms obtainable from independent commercial banks. No service fee is payable for buyer financing services.

Sinochem Finance is a wholly-owned subsidiary of Sinochem Corporation, the indirect controlling Shareholder of the Company, and accordingly, Sinochem Finance is 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 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 the Deposit Services and the annual cap of the Other Financial Services (save for the provision of loans to the Group) if aggregated on an annual basis under the Financial Services Framework Agreement exceed 0.1% but less than 5%, the Deposit Services and the Other Financial Services (save for the provision of loans to the Group) and the proposed transaction caps for both are subject to the reporting and announcement but are exempt from the independent shareholders' approval requirements under the Listing Rules.

Under the Financial Services Framework Agreement, the maximum daily balance of deposits and the annual cap of the Other Financial Services (save for the provision of loans to the Group) the Company determined are set out as follows:

(i) In respect of the Deposit Services, the Company estimated that the maximum daily outstanding balance of deposits (including accrued interest) placed by the Group with Sinochem Finance for each of the two years ending 31 December 2015 will be RMB360,000,000 on a daily basis. Such cap has been estimated on the basis of several factors including (a) the capital management strategy of the Group; and (b) the business development and financial needs of the Group.

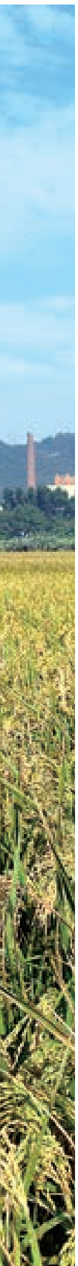
(ii) In respect of the Other Financial Services, the Company estimated that the transaction amount in relation to these categories, if aggregated on an annual basis, for each of the two years ending 31 December 2015 will not exceed RMB10,000,000. Such cap has been estimated on the basis of several factors including (a) the capital management strategy of the Group; (b) the business development and financial needs of the Group; and (c) the historical transaction amounts of such services.

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.65(4) of the Listing Rules, this 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 announcement dated 5 December 2013 published by the Company.

(4) UK Service Agreement for 2014-2016 between Sinochem Macao and Sinochem UK

The UK service agreement entered into between Sinochem Macao, an indirect wholly-owned subsidiary of the Company, and Sinochem UK, an indirectly wholly-owned subsidiary of Sinochem Group, dated 28 December 2010, had expired on 31 December 2013. On 5 December 2013, Sinochem Macao entered into the UK Service Agreement with Sinochem UK, pursuant to which Sinochem UK continues to provide services to Sinochem Macao during the period from 1 January 2014 to 31 December 2016 (both days inclusive). As Sinochem Group is the ultimate controlling shareholder of the Company, therefore, Sinochem Group and its respective associates are the connected persons of the Company according to the Listing Rules.



Pursuant to the UK Service Agreement, Sinochem UK shall provide local supplier relations and logistics services to Sinochem Macao in Europe at cost (which mainly includes salaries and employee benefits, office rent, repair and maintenance, utilities, insurance and other administrative costs). 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 service. Sinochem UK and Sinochem Macao may by agreement in writing adjust the fee payable in accordance with changes in operation expenses of Sinochem UK.

Such services are provided at the request of the Group as the Group does not have any staff working in Europe. Sinochem UK shall issue the invoice to Sinochem Macao for all services it provides from time to time and Sinochem Macao shall settle the invoice within 10 days of the date of such invoice. The Group estimates that the annual cap for each of the three years ending 31 December 2016 in respect of the fee payable by Sinochem Macao to Sinochem UK under the UK Service Agreement will be US$2,000,000. Such cap is calculated based on projected quantities of purchases by Sinochem Macao from local suppliers in Europe and projected average price per tonne of products for each of the relevant years, having regard to the growth in the market demand of fertilizer products in Europe.

Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the UK Service Agreement constitutes continuing connected transactions of the Company. Given that the relevant applicable percentage ratios in respect of the annual caps 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 transaction, please refer to the announcement dated 5 December 2013 published by the Company.

(5) Sinochem Macao Entered into the Amended MOU with Canpotex

As disclosed in the announcement dated 20 October 2010, Sinochem Macao, an indirectly wholly-owned subsidiary of the Company, entered into the MOU with Canpotex International Pte. Ltd (on behalf of Canpotex) on the same date, which expired on 31 December 2013. On 13 December 2013, Sinochem Macao entered into the Amended MOU with Canpotex International Pte. Ltd (on behalf of Canpotex). As Potash Corporation is a substantial shareholder of the Company, Canpotex International Pte. Ltd (on behalf of Canpotex), owned as to 33.33% by Potash Corporation, is therefore a connected person of the Company. Accordingly, the continuing transactions contemplated under the Amended MOU constitute continuing connected transactions of the Company under the Listing Rules.

The term under the Amended MOU is one year from 1 January 2014 to 31 December 2014 (both days inclusive). Pursuant to the Amended MOU, Canpotex shall supply and Sinochem Macao shall purchase a minimum of 1,000,000 tonnes of Canadian Potash or 33.33% of Seaborne Potash imports to the PRC, whichever is greater, for the year 2014. The quantity may be adjusted for product mix according to market and supply conditions but the annual total will not be less than the above-mentioned quantity.

During the effective period under the Amended MOU, prices for the Canadian potash will be determined through mutual negotiations between the parties with reference to prevailing market condition. Payments for the supplied potash may be settled by way of letter of credit or such other means as may be decided upon by the parties. The annual cap for the transactions contemplated under the Amended MOU is US$350 million for the year of 2014. Such annual cap is determined based on the estimated volume and prices of purchases pursuant to the Amended MOU, with reference to the transaction volume of potash purchased for the previous years and taking into account the demand for potash imports into the PRC in recent years.

As the relevant applicable percentage ratios in respect of the annual cap under the Amended MOU are more than 5%, the Amended MOU and the transactions contemplated thereunder are subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

For detailed information on the aforesaid transactions, please refer to the announcements dated 13 December 2013 and the circular dated 8 January 2014 published by the Company. The aforesaid continuing connected transactions have been approved by the independent shareholders of the Company at the special general meeting of the Company held on 24 January 2014.

(6) Framework Agreement for 2014 between Sinochem Fertilizer, Sinochem Macao and Sinochem Group

As disclosed in the announcement dated 22 November 2010, Sinochem Fertilizer, Sinochem Macao and Sinochem Group entered into the fertilizer sales co-operation framework agreement on the same date, which expired on 31 December 2013. On 13 December 2013, Sinochem Fertilizer, Sinochem Macao and Sinochem Group entered into the Framework Agreement. The term of the Framework Agreement is one year from 1 January 2014 to 31 December 2014 (both days inclusive).

Sinochem Fertilizer and Sinochem Macao are indirectly 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 under the Listing Rules. The transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Under the PRC law, the Group is not allowed to import fertilizer products into the PRC (except for small amount trade in border areas as approved under the PRC law) and the right to import fertilizer products is only granted to Sinochem Group and several other importers. Accordingly, Sinochem Group has agreed to provide import service to the Group pursuant to the Framework Agreement.

Pursuant to Framework Agreement, fertilizer products sourced from overseas by Sinochem Macao for Sinochem Fertilizer will first be sold to Sinochem Group. Sinochem Group, as an approved importer of fertilizer products in the PRC, will import the products sourced by Sinochem Macao and sell all of such to Sinochem Fertilizer. Sinochem Group will also import a small amount of fertilizer products direct from overseas from time to time. Sinochem Group has undertaken that, except for any fertilizer products imported by it on behalf of its other customers, it will sell all the fertilizer products it imports to Sinochem Fertilizer exclusively. On the other hand, Sinochem Fertilizer is free to purchase fertilizer products from any authorized importers.

Sinochem Fertilizer, Sinochem Macao and Sinochem Group will, in accordance with the provisions and principles stipulated in the Framework Agreement, enter into further specific agreements for the fertilizer products to be imported through Sinochem Group.

Under the Framework Agreement, the pricing principles for the sale and purchase of fertilizer products between the parties are 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 prevailing domestic wholesale price at port.

The annual caps in respect of the continuing connected transaction between Sinochem Macao and Sinochem Group under the Framework Agreement for 2014 is US$1,140,000,000. Such cap is estimated based on the project quantities of purchase by Sinochem Group for Sinochem Fertilizer through the arrangement with Sinochem Macao and the projected average price per tonne of fertilizer products (which is determined in accordance with the prevailing international market price).

The annual caps in respect of the continuing connected transaction between Sinochem Fertilizer and Sinochem Group under the Framework Agreement for 2014 is RMB7,340,000,000. The annual cap is calculated with reference to:

(i) the projected quantities of sales of fertilizer products sourced from overseas by Sinochem Macao, and the projected average price per tonne of fertilizer products (which is determined on a cost basis) and the estimated costs incurred by Sinochem Group for the import of such fertilizer products during the term of the Framework Agreement; and

(ii) the projected quantities of sales of fertilizer products sourced by Sinochem Group direct from overseas suppliers to Sinochem Fertilizer and the projected average price per tonne of fertilizer products (which is determined in accordance with the prevailing domestic wholesale price at port) during the term of the Framework Agreement.

As the relevant applicable percentage ratios in respect of the annual caps under the Framework Agreement are more than 5%, the Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

For detailed information on the aforesaid transactions, please refer to the announcements dated 13 December 2013 and the circular dated 8 January 2014 published by the Company. The aforesaid continuing connected transactions have been approved by the independent shareholders of the Company at the special general meeting of the Company held on 24 January 2014.

2. Existing Continuing Connected Transactions in 2013

(1) Financial Service Framework Agreement for 2013 between the Company and Sinochem Finance

On 13 December 2012, the Company and Sinochem Finance entered into a Financial Services Framework Agreement under which Sinochem Finance provides financial services to the Group. The agreement shall be effective from 21 December 2012 to 31 December 2013 (both days inclusive). Pursuant to the Financial Service Framework Agreement, the Group may, from time to time as it deems necessary, utilize the services as Deposit Services, provision of loans (excluding entrustment loans), arrangement of entrustment loans, commercial bills of exchange services, buyer financing services, settlement services, provision of guarantees, internet banking service and any other financial services as approved by China Banking Regulatory Commission (CBRC) to be provided by Sinochem Finance, and, under the Financial Service Framework Agreement, pay the relevant interests and service fees to or receive deposit interest from Sinochem Finance. The interests receipt from Deposit Services, the interests payable for the provision of loans, the fees charged for the provision of guarantees, internet banking services and other financial services approved by CBRC are determined by the standard rates as promulgated by the People's Bank of China from time to time or the prevailing market rates. The service fee and relevant interests payable for the arrangement of entrustment loans, commercial bills of exchange services and settlement services will not exceed the service fee and interest payable on such services under the same terms obtainable from independent commercial banks. No service fee is payable for buyer financing services.

Sinochem Finance is an indirect wholly-owned subsidiary of Sinochem Corporation, and accordingly, Sinochem Finance is 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 constitute continuing connected transactions of the Company. As the applicable percentage ratios (other than the profits ratio) in respect of the maximum amount on the outstanding balance of deposit (including accrued interest) in respect of the Deposit Services and the transaction amounts of other financial services (save for the provision of loans to the Group) aggregated on an annual basis under the Financial Services Framework Agreement exceed 0.1% but less than 5%, the Deposit Services and the other financial services (save for the provision of loans to the Group) and the proposed transaction caps for both are subject to the reporting and announcement but are exempt from the independent shareholders' approval requirements under the Listing Rules.

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

(i) In respect of the Deposit Services, the Company expects that the maximum amount on the outstanding balance of deposits (including accrued interest) placed by the Group with Sinochem Finance, on a daily basis, will not exceed RMB450 million during the term of the Financial Services Framework Agreement. The cap has been estimated on the basis of several factors including (a) the capital management strategy of the Group; and (b) the business development and financial needs of the Group. The maximum amount refers to the maximum daily outstanding balance during the term of the Financial Services Framework Agreement, and is not cumulative in nature.

(ii) In respect of the other financial services provided by Sinochem Finance, i.e., arrangement of entrustment loans, commercial bills of exchange services, buyer financing services, settlement services, provision of guarantees at the request of any member of the Group, internet banking service, the Company expects that the transaction amount in relation to these categories, if aggregated on an annual basis, will not exceed RMB10 million. The cap has been estimated on the basis of several factors including (a) the capital management strategy of the Group; (b) the business development and financial needs of the Group; and (c) that the estimated transaction amount in history.

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.65(4) of the Listing Rules, this 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 announcement dated 14 December 2012 published by the Company.

(2) The MOU for 2011-2013 Between Sinochem Macao and Canpotex

On 20 October 2010, Sinochem Macao, an indirectly wholly-owned subsidiary of the Company, entered into a MOU with Canpotex International Pte. Limited (on behalf of Canpotex), an associate of Potash. As Potash is a substantial shareholder and a connected person of the Company, Canpotex is a connected person of the Company by virtue of being an associate of Potash. Accordingly, the continuing transactions contemplated under the MOU between Sinochem Macao and Canpotex constitute continuing connected transactions for the Company under the Listing Rules.

Under the MOU, Sinochem Macao and Canpotex agree to enter into transactions for a term of three years from 1 January 2011 to 31 December 2013 for the supply of Canadian Potash by Canpotex to Sinochem Macao. Pursuant to the MOU, Canpotex agreed to supply and Sinochem Macao agreed to purchase Canadian Potash from Canpotex on an exclusive basis and Canpotex will not sell such potash to any other buyers in the PRC other than in the circumstances specified in the MOU.

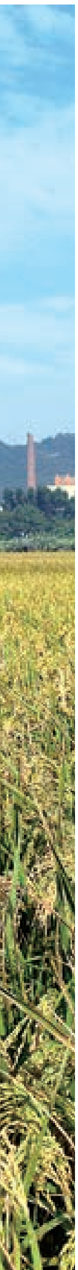
During the effective period under the MOU, prices for the Canadian potash were determined through mutual negotiations between the parties with reference to prevailing market condition. Payments for the supplied potash may be settled by way of letter of credit or such other means as may be decided upon by the parties. The annual caps for the transactions contemplated under the MOU are US$600,000,000, US$730,000,000 and US$870,000,000 for the three years ended 31 December 2013, respectively. Such annual caps are determined based on the estimated volume and prices of purchase pursuant to the terms of the MOU, with reference to the transaction volume of potash purchased for the previous years and taking into account the possible increasing demand for potash imports into the PRC for the relevant years.

As the applicable percentage ratios in respect of the MOU are more than 5%, the MOU and the transactions contemplated thereunder are subject to the reporting, announcement and independent shareholders' approval, and annual review requirements under Chapter 14A of the Listing Rules.

For detailed information on the aforesaid transactions, please refer to the announcements dated 20 October 2010 and the circular dated 10 November 2010 published by the Company. The aforesaid continuing connected transactions have been approved by the independent shareholders of the Company at the special general meeting of the Company held on 9 December 2010.

(3) Fertilizer Sales Co-operation Framework Agreement for 2011-2013 between Sinochem Fertilizer, Sinochem Macao and Sinochem Group

On 22 November 2010, Sinochem Fertilizer, Sinochem Macao and Sinochem Group entered into the Fertilizer Sales Co-operation Framework Agreement, pursuant to which the parties agreed to enter into transactions for the import of fertilizer products into the PRC.



Sinochem Fertilizer and Sinochem Macao are respectively the indirectly wholly-owned subsidiaries of the Company. Sinochem Group is the ultimate controlling shareholder of the Company, therefore a connected person of the Company. Sinochem Group is therefore a connected person of the Company under the Listing Rules and the the transactions under the Fertilizer Sales Co-operation Framework Agreement is therefore a continuing connected transaction under the Listing Rules.

Under the PRC law, the Group is not allowed to import fertilizer product into the PRC (except for small amount trade in border areas as approved under the PRC law) and the right to import fertilizer products is only granted to Sinochem Group and several other importers. Accordingly, Sinochem Group has agreed to provide import service to the Group pursuant to the Fertilizer Sales Co-operation Framework Agreement.

Pursuant to such agreement, fertilizer products sourced from overseas by Sinochem Macao for Sinochem Fertilizer will first be sold to Sinochem Group. Sinochem Group, as an approved importer of fertilizer products in the PRC, will import the products sourced by Sinochem Macao and sell all of such to Sinochem Fertilizer. Sinochem Group will also import a small amount of fertilizer products direct from overseas from time to time. Sinochem Group has undertaken that, except for any fertilizer products imported by it on behalf of its other customers, it will sell all the fertilizer products it imports to Sinochem Fertilizer on an exclusive basis. On the other hand, Sinochem Fertilizer is free to purchase fertilizer products from any authorized importers.

Sinochem Fertilizer, Sinochem Macao and Sinochem Group will, in accordance with the provisions and principles stipulated in the Fertilizer Sales Co-operation Framework Agreement, enter into further specific agreements for the fertilizer products to be imported through Sinochem Group.

Under the Fertilizer Sales Co-operation Framework Agreement, the pricing principles for the sale and purchase of fertilizer products between the parties are as follows:

(i) the price paid by Sinochem Group to Sinochem Macao for fertilizer products sold by Sinochem Macao to Sinochem Group is set 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 set 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 set in accordance with the prevailing domestic wholesale price at port.

The annual caps in respect of the continuing connected transaction between Sinochem Macao and Sinochem Group under the Fertilizer Sales Co-operation Framework Agreement for each of the three years ended 31 December 2013 are US$1,370,000,000, US$1,625,200,000 and US$1,939,792,000, respectively.

Such annual caps are calculated based on the projected quantities of purchase by Sinochem Group for Sinochem Fertilizer through the arrangement with Sinochem Macao and the projected average price per tonne of fertilizer products for each of the relevant years (which is set in accordance with the prevailing international market price).

The annual caps in respect of the continuing connected transaction between Sinochem Fertilizer and Sinochem Group under the Fertilizer Sales Co-operation Framework Agreement for each of the three years ended 31 December 2013 are RMB11,657,104,000, RMB14,162,276,000 and RMB17,164,235,000, respectively.

Such annual caps are calculated with reference to:

(i) the projected quantities of sales of fertilizer products sourced from overseas by Sinochem Macao, and the projected average price per tonne of fertilizer products for each of the relevant years (which is set on a cost basis) and the estimated costs incurred by Sinochem Group for the import of such fertilizer products; and

(ii) the projected quantities of sales of fertilizer products sourced by Sinochem Group direct from overseas suppliers to Sinochem Fertilizer and the projected average price per tonne of fertilizer products for each of the relevant years (which is set in accordance with the prevailing domestic wholesale price at port).

As the applicable percentage ratios in respect of the proposed annual caps are more than 5%, the Fertilizer Sales Co-operation Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

For detailed information on the aforesaid transactions, please refer to the announcements dated 22 November 2010 and the circular dated 23 November 2010 published by the Company. The aforesaid continuing connected transactions have been approved by the independent shareholders of the Company at the special general meeting of the Company held on 9 December 2010.

3. **The annual caps approved for and the actual transaction amount of continuing connected transactions of the Group for the year ended 31 December 2013 are set out below:**

Name of Transactions		**Currency**	**For the year ended 31 December 2013** Annual Caps *('000)*	Actual Transacted Amount *('000)*
Continuing Connected Transactions subject to Independent Shareholders' Approval Requirements				
1.	Sinochem Macao purchases Canadian Potash from Canpotex	USD	870,000	409,122
2.	Fertilizer Sales Co-operation Framework Agreement			
	(i) Sinochem Group imports from Sinochem Macao	USD	1,939,792	855,205
	(ii) Sinochem Fertilizer purchases from Sinochem Group	RMB	17,164,235	5,431,805
Continuing Connected Transactions exempted from Independent Shareholders' Approval Requirement but Subject to Reporting, Announcement and Annual Review Requirements				
3.	Sulphur and Other Fertilizer Raw Materials Import Framework Agreement:			
	(i) Dohigh Trading supplies sulphur and other fertilizer raw materials to Sinochem Group	USD	25,000	17,727
	(ii) Sinochem Fertilizer purchases sulphur and other fertilizer raw materials from Sinochem Group	RMB	153,488	99,291
4.	Financial Services Framework Agreement			
	(i) Outstanding balance of deposits (including accrued interest)	RMB	450,000	183,604
	(ii) Other financial services	RMB	10,000	2,892

4. **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 2013 were entered into by the Group:

- in the ordinary and usual course of its business;
- either on normal commercial terms or, where there are no sufficiently comparable transactions, on terms no less favourable than the terms the Company could have obtained from an independent third party; and
- in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

5. **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 the 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 the maximum aggregate annual values of relevant amount disclosed in the previous announcements made by the Company.

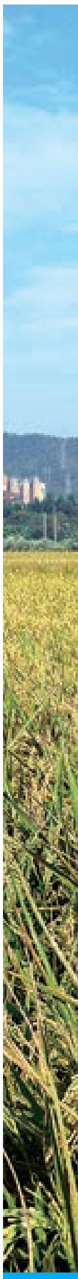
Contracts of Significance between the Company and the Controlling Shareholder

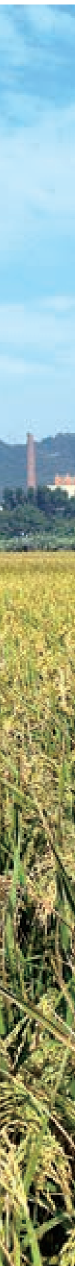
Sinochem Group is the ultimate controlling shareholder of the Company. The contracts of significance between the Company and/or its subsidiaries with Sinochem Group and/or its subsidiaries are disclosed in details in the section headed "Connected Transactions" in this Directors' Report.

Major Discloseable Events

On 25 April 2013, Sinochem Fertilizer Co., Limited, a wholly-owned subsidiary of the Company, issued the first tranche of short-term commercial paper for the year 2013, with a maturity period of 365 days and at an interest rate of 4.08% per annum. For more details, please refer to the announcement of the Company dated 18 April 2013 and 26 April 2013.

Save for the disclosures as above and in this report, the Company had no other major discloseable events during the year ended 31 December 2013.





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 2013 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 47.

Retirement Benefits Scheme

Details of the retirement benefits scheme of the Group are set out in note 41 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

The consolidated financial statements of the Group for the year ended 31 December 2013 have been audited by KPMG who shall retire and, being eligible, shall offer themselves for re-appointment. A proposal on the re-election of KPMG as auditors of the Company is to be made by the Board at the forthcoming annual general meeting of the Company.

The consolidated financial statements of the Group for the year ended 31 December 2011 were audited by Deloitte Touche Tohmatsu, who retired as auditors of the Company at the annual general meeting of the Company held on 14 June 2012. On the same date, KPMG was appointed as the auditors of the Company, and subsequently was re-appointed as auditors of the Company in the annual general meeting held on 13 June 2013.

For and on behalf of the Board

Liu De Shu
Chairman

Hong Kong, 27 March 2014

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 83 to 167, which comprise the consolidated statement of financial position as at 31 December 2013, 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 state of affairs of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance 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

27 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Turnover	4(a)	**34,721,849**	41,190,137
Cost of sales		**(33,442,353)**	(38,812,335)
Gross profit		**1,279,496**	2,377,802
Other income and gains	5	**244,359**	189,819
Selling and distribution expenses		**(854,307)**	(804,163)
Administrative expenses		**(633,311)**	(629,873)
Other expenses and losses		**(167,367)**	(141,025)
Share of results of associates		**105,917**	235,920
Share of results of joint ventures		**(15,195)**	68,437
Finance costs	6	**(240,974)**	(366,726)
Gain on deemed disposal of interest in a subsidiary		**–**	92,174
(Loss)/profit before taxation	7	**(281,382)**	1,022,365
Income tax expenses	8(a)	**(343,424)**	(98,711)
(Loss)/profit for the year		**(624,806)**	923,654
(Loss)/profit for the year attributable to:			
– Owners of the Company		**(476,340)**	878,369
– Non-controlling interests		**(148,466)**	45,285
		(624,806)	923,654

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

For the year ended 31 December 2013

(Expressed in Renminbi)

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

The notes on pages 91 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 2013

(Expressed in Renminbi)

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
Non-current assets			
Fixed assets			
– Property, plant and equipment	14	**3,312,182**	3,162,737
– Investment properties	15	**–**	14,600
		3,312,182	3,177,337
Prepaid lease payments	16	**507,169**	520,229
Mining rights	17	**707,169**	734,458
Goodwill	18	**811,356**	820,162
Other long-term assets	19	**10,450**	11,299
Interests in associates	20	**8,236,002**	8,177,561
Interests in joint ventures	21	**549,286**	586,429
Available-for-sale investments	22	**373,242**	372,051
Advance payments for acquisition of property, plant and equipment		**30,270**	23,725
Deferred tax assets	33	**337,172**	674,865
		14,874,298	15,098,116
Current assets			
Inventories	23	**4,393,037**	5,375,898
Trade and bills receivables	24	**1,250,244**	1,158,659
Other receivables and advance payments	25	**1,375,907**	2,274,986
Loans to an associate	26	**887,000**	1,297,284
Prepaid lease payments	16	**13,215**	11,977
Other deposits	27	**671,800**	858,200
Pledged bank deposits		**–**	2
Bank balances and cash	28	**363,782**	334,682
		8,954,985	11,311,688
Current liabilities			
Trade and bills payables	29	**2,618,789**	3,564,875
Other payables and receipt in advance	30	**3,570,273**	3,784,384
Interest-bearing borrowings – due within one year	31	**425,335**	1,577,724
Short-term commercial paper	32	**1,000,000**	–
Tax liabilities		**16,308**	24,839
		7,630,705	8,951,822
Net current assets		**1,324,280**	2,359,866
Total assets less current liabilities		**16,198,578**	17,457,982

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2013

(Expressed in Renminbi)

		As at 31 December	
	Note	**2013** *RMB'000*	2012 *RMB'000*
Non-current liabilities			
Interest-bearing borrowings – due after one year	*31*	**2,486,135**	2,885,085
Deferred income		**122,456**	140,391
Deferred tax liabilities	*33*	**259,082**	271,945
Other long-term liabilities		**37,928**	37,928
		2,905,601	3,335,349
NET ASSETS		**13,292,977**	14,122,633
CAPITAL AND RESERVES			
Issued equity	*34*	**8,267,384**	8,267,384
Reserves		**4,820,065**	5,534,383
Total equity attributable to owners of the Company		**13,087,449**	13,801,767
Non-controlling interests		**205,528**	320,866
TOTAL EQUITY		**13,292,977**	14,122,633

The consolidated financial statements on pages 83 to 167 were approved and authorized for issue by the board of directors on 27 March 2014 and are signed on its behalf by:

Liu Deshu
Director

Wang Hongjun
Director

The notes on pages 91 to 167 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

(Expressed in Renminbi)

	Attributable to owners of the Company											
	Issued equity RMB'000	Merger reserve RMB'000 (note a)	Capital reserve RMB'000 (note b)	Statutory reserve RMB'000 (note c)	Investment revaluation reserve RMB'000	Share option reserve RMB'000 (note d)	Other reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
Balance at 1 January 2012	8,264,318	255,531	486,112	384,071	–	6,537	60,204	(729,965)	4,306,993	13,033,801	335,082	13,368,883
Profit for the year	–	–	–	–	–	–	–	–	878,369	878,369	45,285	923,654
Other comprehensive income/(expense) for the year	–	–	–	–	3,286	–	–	(6,530)	–	(3,244)	–	(3,244)
Total comprehensive income/(expense) for the year	–	–	–	–	3,286	–	–	(6,530)	878,369	875,125	45,285	920,410
Energy saving and emission reduction fund *(note d)*	–	–	–	–	–	–	2,560	–	–	2,560	–	2,560
Lapse of share options	–	–	–	–	–	(5,883)	–	–	5,883	–	–	–
Exercise of share options	3,066	–	–	–	–	(654)	–	–	–	2,412	–	2,412
Maintenance and production fund *(note d)*	–	–	–	–	–	–	29,848	–	(29,848)	–	–	–
Dividends approved in respect of the previous year	–	–	–	–	–	–	–	–	(94,544)	(94,544)	–	(94,544)
Distributions to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(12,000)	(12,000)
Deemed disposal of interest in a subsidiary	–	–	–	(17,587)	–	–	–	–	–	(17,587)	(47,501)	(65,088)
Balance at 31 December 2012 and 1 January 2013	**8,267,384**	**255,531**	**486,112**	**366,484**	**3,286**	**-**	**92,612**	**(736,495)**	**5,066,853**	**13,801,767**	**320,866**	**14,122,633**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(476,340)**	**(476,340)**	**(148,466)**	**(624,806)**
Other comprehensive income/(expense) for the year	**-**	**-**	**-**	**-**	**13,158**	**-**	**-**	**(107,971)**	**-**	**(94,813)**	**-**	**(94,813)**
Total comprehensive income/(expense) for the year	**-**	**-**	**-**	**-**	**13,158**	**-**	**-**	**(107,971)**	**(476,340)**	**(571,153)**	**(148,466)**	**(719,619)**
Energy saving and emission reduction fund *(note d)*	**-**	**-**	**-**	**-**	**-**	**-**	**5,120**	**-**	**-**	**5,120**	**-**	**5,120**
Maintenance and production fund *(note d)*	**-**	**-**	**-**	**-**	**-**	**-**	**(5,027)**	**-**	**5,027**	**-**	**-**	**-**
Dividends approved in respect of the previous year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(130,693)**	**(130,693)**	**-**	**(130,693)**
Paid-in capital contributed by non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**44,100**	**44,100**
Acquisition of non-controlling interests	**-**	**-**	**(9,314)**	**-**	**-**	**-**	**-**	**-**	**-**	**(9,314)**	**(186)**	**(9,500)**
Capital injection to a subsidiary only by the Group to dilute the non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(8,278)**	**(8,278)**	**8,278**	**-**
Distributions to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(19,064)**	**(19,064)**
Balance at 31 December 2013	**8,267,384**	**255,531**	**476,798**	**366,484**	**16,444**	**-**	**92,705**	**(844,466)**	**4,456,569**	**13,087,449**	**205,528**	**13,292,977**

Notes:

a. The merger 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.

b. The capital reserve of the Group mainly represents contributions from/distributions to the ultimate holding company, Sinochem Group ("Sinochem Group", established in the PRC), and difference between the carrying amount of non-controlling interests acquired and the fair value of consideration paid.

c. Statutory reserve comprises reserve fund and enterprise expansion fund. In accordance with relevant rules and regulations on foreign investment enterprise established in the People's Republic of China (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.

d. Other 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 91 to 167 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013
(Expressed in Renminbi)

	2013 RMB'000	2012 RMB'000
Operating activities		
(Loss)/profit before taxation	(281,382)	1,022,365
Adjustments for:		
Share of results of associates	(105,917)	(235,920)
Share of results of joint ventures	15,195	(68,437)
Dividend income from available-for-sale investments	(3,160)	(1,797)
Write-off of payables	(12,353)	(27,844)
Release of deferred income	(14,115)	(11,757)
Interest income from bank deposits	(7,322)	(6,728)
Interest income from other deposits	(38,887)	(41,244)
Interest income from an associate	(49,664)	(12,212)
Finance costs	240,974	366,726
Gain on deemed disposal of interest in a subsidiary	–	(92,174)
Gain on disposal of an associate	(421)	–
Gain on disposal of available-for-sale investments	(1,047)	–
Depreciation of property, plant and equipment	291,993	410,116
Loss on disposal of property, plant and equipment	648	1,475
Gain on disposal of investment properties	(14,964)	–
Waived consideration payable	(25,000)	–
Release of prepaid lease payments	12,003	22,390
Amortization of mining rights	33,368	22,801
Amortization of other long-term assets	6,698	15,301
Write-down of trade receivables	15,893	–
Write-down of other receivables	21,551	600
Write-down of inventories	93,677	86,461
Impairment loss on an available-for-sale investment	8,000	–
Operating cash flows before movements in working capital	185,768	1,450,122
Decrease in inventories	889,184	1,997,087
(Increase)/decrease in trade and bills receivables	(295,189)	560,858
Decrease/(increase) in other receivables and advance payments	673,147	(47,638)
Increase in deferred income	1,300	10,608
Decrease in trade and bills payables	(924,258)	(1,545,246)
Increase/(decrease) in other payables and receipt in advance	176,867	(335,393)
Cash generated from operations	706,819	2,090,398
Income tax paid	(27,125)	(28,228)
Net cash generated from operating activities	679,694	2,062,170

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2013

(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Investing activities			
Purchase of property, plant and equipment		(451,308)	(376,072)
Additions of prepaid lease payments		(181)	(2,361)
Proceeds from disposals of property, plant and equipment		2,670	14,545
Proceeds from disposals of investment properties		29,564	–
Acquisition of a subsidiary		(395,000)	(692,962)
Acquisition of other long-term assets		(11,928)	(7,753)
Placement of other deposits		(23,332,590)	(23,778,500)
Proceeds from withdrawal of other deposits		23,518,990	24,569,388
Repayment of loans to an associate		400,000	–
Interest received from bank deposits		7,322	6,728
Interest received from other deposits		34,522	25,620
Interest received from an associate		64,313	16,469
Withdrawal of pledged bank deposits		2	7,433
Dividends received from associates		46,339	23,048
Dividends received from joint ventures		22,310	5,502
Dividends received from available-for-sale investments		3,160	1,797
Proceeds from disposal of an associate		1,196	–
Proceeds from disposal of an available-for-sale investment		2,556	–
Acquisition of non-controlling interests		(9,500)	–
Deemed disposal of interest in a subsidiary		–	(17,608)
Net cash used in investing activities		(67,563)	(204,726)
Financing activities			
Repayment of borrowings		(7,226,461)	(11,563,609)
Proceeds from new borrowings		6,742,770	10,194,089
Proceeds from exercise of options		–	2,412
Interests paid		(212,406)	(365,993)
Dividends paid		(130,693)	(94,544)
Borrowings from Sinochem Group	39	200,000	–
Paid-in capital contributed by non-controlling interests		44,100	–
Energy-saving and emission reduction fund received		–	2,560
Net cash used in financing activities		(582,690)	(1,825,085)
Net increase in cash and cash equivalents		29,441	32,359
Cash and cash equivalents at 1 January	28	334,682	302,345
Effect of foreign exchange rate changes		(341)	(22)
Cash and cash equivalents at 31 December	28	363,782	334,682

The notes on pages 91 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 40.

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. 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements

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

The 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:

– investment property (see note 2(h));

– 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and 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:

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

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 other new or amended HKFRSs are discussed below:

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

HKFRS 10, *Consolidated financial statements*

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

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

HKFRS 11, *Joint arrangements*

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

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

HKFRS 12, *Disclosure of interests in other entities*

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 20, 21 and 40.

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

HKFRS 13, *Fair value measurement*

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 36(b). The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual Improvements to HKFRSs 2009-2011 Cycle

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

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2013 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
Amendments to HKAS 32, *offsetting financial assets and financial liabilities*	1 January 2014
Amendments to HKAS 36, *Impairment of assets, Recoverable amount disclosures for non-financial assets*	1 January 2014
Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*	1 January 2014
HK(IFRIC) 21, *Levies*	1 January 2014
HKFRS 9, *Financial instruments*	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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 profits 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)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests (continued)

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

(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(n)). 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associates and joint ventures (continued)

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)).

(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(n)).

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.

(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:

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Other investments in debt and equity securities (continued)

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(w)(iii) and 2(w)(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(n)).

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(n)). 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(w)(iii) and 2(w)(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(n)), 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.

(h) Investment property

Investment properties are buildings which are owned or held under a leasehold interest (see note 2(l)) to earn rental income and/or for capital appreciation.

Investment properties are stated at fair value unless their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognized in profit or loss. Rental income from investment properties is accounted for as described in note 2(w)(ii).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment

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

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(y)).

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 coal reserves in 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 2(n)). Cost comprises direct costs of construction as well as interest expense capitalized during the periods of construction and installation. Capitalisation 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.

(k) Mining rights

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

(l) 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.

(m) Prepaid lease payments and other long-term assets

Prepaid lease payments 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(n)). The cost of prepaid lease payments 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)

(n) 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(n)(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(n)(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)

(n) 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)

(n) 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;

– prepaid lease payments;

– 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)

(n) 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, 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(n)(i) and 2(n)(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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Inventories

Inventories are stated 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.

(p) 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(n)), 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.

(q) 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.

(r) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) 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.

(t) Employee benefits

(i) Short term 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.

(ii) Share-based payments

The fair value of share options granted to employees is recognized as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the applicable fair valuation models, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognized in the share option until either the option is exercised (when it is transferred to the issued equity) or the option expires (when it is released directly to retained profits).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Income tax (continued)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(h), the amount of deferred tax recognized is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) 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.

(w) 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' premise 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Revenue recognition (continued)

(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.

(x) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) 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.

(z) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Related parties (continued)

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

(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).

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.

(aa) 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, 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. Directors of the Company reassess these estimates at the end of each reporting period. As at 31 December 2013, the carrying amount of inventories is RMB4,393,037,000 (2012: RMB5,375,898,000).

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 2013, the carrying amount of goodwill is RMB811,356,000 (2012: RMB820,162,000). Details of the recoverable amount calculation are disclosed in note 18.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Impairment of interest in associates

As at 31 December 2013, the carrying amount of interests in associates is RMB8,236,002,000 (2012: RMB8,177,561,000). The directors of the Company determine whether there are indicators for impairment in interests in individual associate at the end of each reporting period. Should the indicators exist, the Group will estimate fair value less costs to sell or value in use of relevant associates by estimating the future cash flows expected from those interests and a discount rate in order to calculate the present value. Where the actual fair value or future cash flows are significantly less than expected, a material impairment loss may arise.

Realizability of deferred tax assets

As at 31 December 2013, a deferred tax asset of RMB279,881,000 (2012: RMB630,524,000) in relation to unused tax losses has been recognized in the Group's consolidated statement of financial position. The Group has not recognized a deferred tax asset on the tax losses of RMB2,520,981,000 (2012: RMB709,233,000) due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

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:

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

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

4 TURNOVER AND SEGMENT REPORTING (continued)

(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

(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 and other unallocated liabilities.

4 SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

2013

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

4 SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

2012

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

4 SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(ii) Other segment information

2013

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

4 SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(ii) Other segment information (continued)

2012

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

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 financial instruments and deferred tax assets is presented based on the geographical location of the assets.

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

5 OTHER INCOME AND GAINS

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

Notes:

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

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

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

6 FINANCE COSTS

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

7 (LOSS)/PROFIT BEFORE TAXATION

	Note	2013 RMB'000	2012 RMB'000
Director's emoluments	10	**5,147**	9,532
Other staff benefits	a	**649,322**	730,821
Total employee benefits expenses		**654,469**	740,353
Depreciation of property, plant and equipment		**291,993**	410,116
Release of prepaid lease payments		**12,003**	22,390
Amortization of mining rights		**33,368**	22,801
Amortization of other long-term assets		**6,698**	15,301
Auditors' remuneration		**4,389**	4,459
Operating lease charge – minimum lease payments	b	**47,088**	47,021
Direct operating expenses arising from investment properties that generate rental income		**150**	290
Foreign exchange loss		**–**	22,902
Loss on disposal of property, plant and equipment		**648**	1,475
Impairment loss on an available-for-sale investment		**8,000**	–
Write-down of trade receivables		**15,893**	–
Write-down of other receivables		**21,551**	600
Write-down of inventories	c	**93,677**	86,461

Notes:

a. Contribution to retirement benefits scheme included in other staff benefits for the year ended 31 December 2013 is RMB73,304,000 (2012: RMB75,347,000).

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

c. During the year ended 31 December 2013, write-down of inventories amounting to approximately RMB93,677,000 (2012: RMB86,461,000) is recorded and recognized in other expenses and losses. Such write-down is related to inventories on hand (see note 23) as at the end of reporting period.

8 INCOME TAX EXPENSES

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

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

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

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

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

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

8 INCOME TAX EXPENSES (continued)

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

	2013 RMB'000	2012 RMB'000
(Loss)/profit before taxation	**(281,382)**	1,022,365
Tax calculated at the applicable tax rate of 25%	**70,345**	(255,591)
Effect of different income tax rates	**5,496**	79,385
Tax effect of non-deductible expenses	**(14,726)**	(4,541)
Tax effect of non-taxable income	**4,970**	8,010
Tax effect of share of results of associates	**26,112**	58,980
Tax effect of share of results of joint ventures	**(3,799)**	17,109
Effect of prior year's tax losses and deductible temporary differences utilized during the year	**2,335**	504
Effect of tax losses and deductible temporary difference not recognized	**(72,925)**	(27,777)
Tax effect of write-down of deferred tax assets recognized in previous years *(see note 33(a))*	**(351,403)**	–
Tax effect of gain on deemed disposal of interest in a subsidiary	**–**	23,044
(Under)/over-provision in prior years	**(9,829)**	2,166
Income tax expense for the year	**(343,424)**	(98,711)

9 OTHER COMPREHENSIVE EXPENSE/INCOME

The components of other comprehensive expense/income do not have any significant tax effect for the years ended 31 December 2013 and 2012.

10 DIRECTORS' REMUNERATION

The emoluments paid or payable to each of the directors for the year ended 31 December 2013 and 2012 were as follows:

2013

	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. FENG Zhi Bin (resigned on 7 March 2014)	–	1,839	–	37	1,876
Mr. Harry YANG *(note b)*	–	2,049	–	37	2,086
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	373	–	–	–	373
Dr. TANG Tin Sek	373	–	–	–	373
Mr. TSE Hau Yin, Aloysius	439	–	–	–	439
	1,185	3,888	–	74	5,147

10 DIRECTORS' REMUNERATION (continued)

2012

	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. FENG Zhi Bin	–	1,887	2,727	33	4,647
Mr. Harry YANG *(note b)*	–	2,029	1,630	22	3,681
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	379	–	–	–	379
Dr. TANG Tin Sek	379	–	–	–	379
Mr. TSE Hau Yin, Aloysius	446	–	–	–	446
	1,204	3,916	4,357	55	9,532

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 2013 and 2012.

b. During the year ended 31 December 2013, the Group paid RMB1,592,000 as salaries and other benefits (2012: RMB1,596,000) and paid RMB457,000 rental for housing (2012: RMB433,000) 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 RMB307,000) for the year ended 31 December 2013.

   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 RMB312,000) for the year ended 31 December 2012.

11 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2012: two) were directors of the Company, whose emoluments are disclosed in note 10. The emoluments of the remaining three (2012: three) individuals were as follows:

	2013 ***RMB'000***	2012 *RMB'000*
Salaries and other benefits	**2,037**	2,106
Performance related incentive payments	**–**	3,798
Retirement benefits scheme contribution	**110**	99
	2,147	6,003

The emoluments were within the following bands:

	2013 ***Number of individuals***	2012 *Number of individuals*
Nil to HK$1,000,000	**3**	–
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	1
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	**–**	1

12 DIVIDENDS

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

13 (LOSSES)/EARNINGS PER SHARE

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

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

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

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 2012	2,004,929	3,482,694	75,344	186,113	114,938	5,864,018
Exchange realignment	1	–	(3)	(1)	–	(3)
Additions	23,295	10,718	16,517	13,658	330,431	394,619
Transfer from construction in progress	73,229	87,839	131	18,477	(179,676)	–
Addition on acquisition of a subsidiary	202,527	347,049	8,942	95,298	14,090	667,906
Deemed disposal of interest in a subsidiary	(567,940)	(1,784,347)	(10,139)	(35,649)	(68,328)	(2,466,403)
Disposals	(9,794)	(19,568)	(5,934)	(129)	(279)	(35,704)
At 31 December 2012	1,726,247	2,124,385	84,858	277,767	211,176	4,424,433
At 1 January 2013	1,726,247	2,124,385	84,858	277,767	211,176	4,424,433
Exchange realignment	(95)	–	(42)	(81)	–	(218)
Additions	41,177	9,013	9,372	10,100	375,101	444,763
Transfer from construction in progress	60,313	59,106	–	255	(119,674)	–
Disposals	(1,258)	(879)	(5,715)	(8,330)	–	(16,182)
At 31 December 2013	**1,826,384**	**2,191,625**	**88,473**	**279,711**	**466,603**	**4,852,796**
Depreciation and impairment						
At 1 January 2012	(276,333)	(895,310)	(30,506)	(125,026)	–	(1,327,175)
Exchange realignment	(1)	–	3	1	–	3
Charge for the year	(95,432)	(282,314)	(10,334)	(22,036)	–	(410,116)
Addition on acquisition of a subsidiary	(24,651)	(87,540)	(5,228)	(4,321)	–	(121,740)
Deemed disposal of interest in a subsidiary	72,373	482,374	5,506	17,395	–	577,648
Disposals	3,250	10,941	5,372	121	–	19,684
At 31 December 2012	(320,794)	(771,849)	(35,187)	(133,866)	–	(1,261,696)
At 1 January 2013	(320,794)	(771,849)	(35,187)	(133,866)	–	(1,261,696)
Exchange realignment	95	–	41	75	–	211
Charge for the year	(77,207)	(185,631)	(9,489)	(19,666)	–	(291,993)
Disposals	209	659	5,184	6,812	–	12,864
At 31 December 2013	**(397,697)**	**(956,821)**	**(39,451)**	**(146,645)**	**-**	**(1,540,614)**
Net book value						
At 31 December 2013	**1,428,687**	**1,234,804**	**49,022**	**133,066**	**466,603**	**3,312,182**
At 31 December 2012	1,405,453	1,352,536	49,671	143,901	211,176	3,162,737

Certain property, plant and equipment were pledged to secure banking facilities granted to the Group as disclosed in note 31(c).

15 INVESTMENT PROPERTIES

	As at 31 December	
	2013 *RMB'000*	2012 *RMB'000*
Fair value	–	14,600

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The investment properties of the Group are located in the PRC. The Group has disposed of the investment properties during the year of 2013.

16 PREPAID LEASE PAYMENTS

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

	2013 *RMB'000*	2012 *RMB'000*
Cost		
At 1 January	643,350	727,098
Additions	181	2,361
Addition on acquisition of a subsidiary	–	90,679
Deemed disposal of interest in a subsidiary	–	(176,788)
At 31 December	643,531	643,350
Accumulated amortization		
At 1 January	(111,144)	(107,607)
Charge for the year	(12,003)	(22,390)
Addition on acquisition of a subsidiary	–	(1,643)
Deemed disposal of interest in a subsidiary	–	20,496
At 31 December	(123,147)	(111,144)
Net book value		
At 31 December	520,384	532,206
Analysis for reporting purposes as		
Current assets	13,215	11,977
Non-current assets	507,169	520,229
	520,384	532,206

Certain prepaid lease payments were pledged to secure banking facilities and borrowings granted to the Group as disclosed in note 31(c).

17 MINING RIGHTS

	2013 *RMB'000*	2012 *RMB'000*
Cost		
At 1 January	760,621	–
Addition	6,079	760,621
At 31 December	766,700	760,621
Accumulated amortization		
At 1 January	(26,163)	–
Addition on acquisition of a subsidiary	–	(3,362)
Charge for the year	(33,368)	(22,801)
At 31 December	(59,531)	(26,163)
Net book value		
At 31 December	707,169	734,458

18 GOODWILL

	2013 *RMB'000*	2012 *RMB'000*
Cost		
At 1 January	820,162	554,374
Addition on acquisition of a subsidiary	–	531,074
Deemed disposal of interest in a subsidiary	–	(265,357)
Exchange adjustments	(8,806)	71
At 31 December	811,356	820,162
Impairment losses		
At 1 January	–	(265,357)
Deemed disposal of interest in a subsidiary	–	265,357
At 31 December	–	–
Carrying amount		
At 31 December	811,356	820,162

18 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	
	2013	2012
	RMB'000	*RMB'000*
Marketing	**249,044**	257,288
Production		
– Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong")	**531,074**	531,074
– Others	**31,238**	31,800
	811,356	820,162

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 2013 approved by the directors of the Company. The growth rates for the first 3 years from 2013 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	8.03%	13%
Average growth rate for the first three years from 2013	9.33%	26.58%
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 2013.

19 OTHER LONG-TERM ASSETS

	2013 *RMB'000*	2012 *RMB'000*
Cost		
At 1 January	**23,964**	81,544
Additions	**5,849**	7,753
Additions on acquisition of a subsidiary	**–**	475
Deemed disposal of interest in a subsidiary	**–**	(65,808)
At 31 December	**29,813**	23,964
Accumulated amortization		
At 1 January	**(12,665)**	(48,944)
Charge for the year	**(6,698)**	(15,301)
Additions on acquisition of a subsidiary	**–**	(103)
Deemed disposal of interest in a subsidiary	**–**	51,683
At 31 December	**(19,363)**	(12,665)
Net book value		
At 31 December	**10,450**	11,299

Other long-term assets have estimated useful lives ranging from 3 years to 10 years. The costs are amortized on a straight-line basis over their respective estimated useful lives.

20 INTERESTS IN ASSOCIATES

	2013 *RMB'000*	2012 *RMB'000*
At the end of reporting period, cost of investment in associates:		
– Listed in the PRC	**1,009,046**	1,009,046
– Unlisted	**403,910**	409,510
Goodwill	**5,790,569**	5,790,569
Share of profits, net of dividends	**1,032,477**	968,436
	8,236,002	8,177,561
Fair value of listed investments	**2,380,016**	3,812,578

The fair value of the listed investment has been determined by multiplying the closing share price on 31 December 2013 by the total number of shares held by the Group. As the fair value is lower than the balance sheet value, an impairment review had been performed by the Company. The directors of the Company are of the opinion that no impairment allowance is necessary in respect of the listed investment as at 31 December 2013.

(Expressed in RMB unless otherwise indicated)

20 INTERESTS IN ASSOCIATES (continued)

As at 31 December 2013 and 2012, the Group had interests in the following associates:

Name of entities	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
					2013	2012	2013	2012	
Qinghai Salt Lake Industry Group Co., Ltd. ("Qinghai Salt Lake") 青海鹽湖工業股份有限公司	Incorporated	The PRC	The PRC	Ordinary	8.94%	8.94%	23.95%(*)	23.95%	Production and sales of fertilizers
Guizhou Xinxin Industrial and Agricultural Trading Co., Ltd. ("Xinxin Industrial") 貴州鑫新工農貿易有限公司	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公司	Incorporated	The PRC	The PRC	Ordinary	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
Tianjin Beihai Industrial Co., Ltd. ("Tianjin Beihai") 天津北海實業有限公司	Incorporated	The PRC	The PRC	Ordinary	30.9%	30.9%	30.9%	30.9%	Logistics services
Yangmei Pingyuan 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

* Sinochem Corporation ("Sinochem Corporation"), an immediate holding company of the Group, has 15.01% equity interests in Qinghai Salt Lake. As Sinochem Corporation has authorized the Group to exercise it's voting rights in Qinghai Salt Lake on behalf of itself, the directors are of the opinion that the Group has significant influence on Qinghai Salt Lake.

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

20 INTERESTS IN ASSOCIATES (continued)

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

	Qinghai Salt Lake	
	2013	2012
	RMB'000	*RMB'000*
Gross amount of the associate		
Current assets	**11,306,839**	12,377,563
Non-current assets	**49,293,161**	37,195,919
Current liabilities	**(9,475,867)**	(10,181,654)
Non-current liabilities	**(27,319,855)**	(15,639,856)
Equity	**23,804,278**	23,751,972
– attributable to shareholders of the associate	**22,209,300**	21,993,699
– attributable to non-controlling interests	**1,594,978**	1,758,273
Revenue	**8,094,573**	8,270,807
Profit attributable to shareholders of the associate	**724,812**	2,192,538
Dividend received from the associate	**45,523**	22,761
Reconciled to the Group's interests in the associate		
Gross amounts of the net assets of the associate	**22,209,300**	21,993,699
Group's effective interest	**8.94%**	8.94%
Group's share of the net assets of the associate	**1,985,512**	1,966,237
Goodwill	**5,790,569**	5,790,569
Carrying amount in the consolidated financial statements	**7,776,081**	7,756,806

Aggregate information of associates that are not individually material:

	2013	2012
	RMB'000	*RMB'000*
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**459,921**	420,755
Aggregate amounts of the Group's share of those associates'		
Profit from continuing operation	**41,119**	39,907
Total comprehensive income	**41,119**	39,907

21 INTERESTS IN JOINT VENTURES

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Unlisted shares, at cost	**437,793**	437,793
Share of profits, net of dividends	**111,493**	148,636
	549,286	586,429

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 material 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
			2013	2012	
Tianjin Beifang Chemical Fertilizer Logistics and Delivery Co., Ltd. 天津北方化肥物流配送有限公司*(note a)*	The PRC	RMB3,000,000	**60%**	60%	Fertilizer logistics
Yunnan Three Circles-Sinochem-Mosaic Fertilizers 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	RMB1,400,000,000	**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

Note:

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

21 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:

	2013 RMB'000	2012 RMB'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**549,286**	586,429
Aggregate amounts of the Group's share of those joint ventures'		
(Loss)/profit from continuing operation	**(15,195)**	68,437
Total comprehensive (expense)/income	**(15,195)**	68,437

22 AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Available-for-sale investments comprise:		
– Listed equity securities	**91,409**	80,709
– Unlisted equity securities	**291,123**	292,632
Less: impairment losses	**(9,290)**	(1,290)
	373,242	372,051

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.

23 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

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

24 TRADE AND BILLS RECEIVABLES

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

24 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	
	2013	2012
	RMB'000	*RMB'000*
Within 3 months	**507,158**	989,123
More than 3 months but within 6 months	**669,681**	161,463
More than 6 months but within 12 months	**10,034**	4,121
Over 12 months	**63,371**	3,952
	1,250,244	1,158,659

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:

	2013	2012
	RMB'000	*RMB'000*
Balance at 1 January	**–**	61
Write-down of trade receivables	**15,893**	–
Deemed disposal of interest in a subsidiary	**–**	(61)
Write-off of uncollectible receivables	**(3,378)**	–
Balance at 31 December	**12,515**	–

24 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	
	2013	2012
	RMB'000	*RMB'000*
More than 3 months but within 6 months	**1,909**	3,556
More than 6 months but within 12 months	**10,034**	4,121
Over 12 months	**63,371**	3,952
	75,314	11,629

Included in the Group's trade receivables are debtors with aggregate carrying amount of RMB75,314,000 (2012: RMB11,629,000) 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.

25 OTHER RECEIVABLES AND ADVANCE PAYMENTS

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Other receivables	**170,165**	171,766
Advance payments	**1,231,400**	2,115,798
Less: allowance for doubtful debts *(note)*	**(25,658)**	(12,578)
Other receivables and advance payments	**1,375,907**	2,274,986

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

	2013	2012
	RMB'000	*RMB'000*
Balance at 1 January	**12,578**	19,959
Write-down of other receivables and advance payments	**21,551**	600
Additions on acquisition of a subsidiary	**–**	2,680
Deemed disposal of interest in a subsidiary	**–**	(10,661)
Write-off of uncollectible receivables	**(8,471)**	–
Balance at 31 December	**25,658**	12,578

26 LOANS TO AN ASSOCIATE

Loans to an associate represent the entrusted loans lent to Yangmei Pingyuan which are unsecured, bear annual interest rates from 5.60% to 6.10% and is repayable within one year.

27 OTHER DEPOSITS

Other deposits represent principal-protected financial products issued by financial institutions in the PRC, which carried fixed interest rates from 2.25% to 6.00% (2012: 2.20% to 4.75%) per annum. Included in other deposits as at 31 December 2013, balances of approximately RMB325,000,000 (2012: RMB700,100,000) were restricted and can only be withdrawn until maturity. The directors of the Company consider the other deposits as a current asset since the maturity dates are all within one year at the end of the reporting period. All of the other deposits are accounted for as loans and receivables at amortized cost.

28 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 rates ranging from 0.35% to 0.385% (2012: 0.1% to 0.5%) per annum.

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Cash in hand	**130**	181
Cash at bank	**363,652**	334,501
	363,782	334,682

As at 31 December 2013, 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	
	2013	2012
	RMB'000	*RMB'000*
United States dollars ("US$")	**5,002**	283

29 TRADE AND BILLS PAYABLES

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

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

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

30 OTHER PAYABLES AND RECEIPT IN ADVANCE

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Payroll payable	**136,578**	167,805
Consideration payable for acquisition of Sinochem Yunlong	**230,000**	650,000
Others	**429,683**	234,501
Other payables	**796,261**	1,052,306
Receipt in advance	**2,774,012**	2,732,078
Other payables and receipt in advance	**3,570,273**	3,784,384

31 INTEREST-BEARING BORROWINGS

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

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Bank loans, secured	**–**	69,998
Bank loans, unsecured	**425,335**	1,909,026
Bonds *(note)*		
Principal amount	**2,500,000**	2,500,000
Less: unamortized transaction costs	**(13,865)**	(16,215)
	2,911,470	4,462,809

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	
	2013	2012
	RMB'000	*RMB'000*
Carrying amount repayable:		
Within 1 year	**425,335**	1,577,724
More than 1 year, but within 2 years	**–**	175,000
More than 2 years, but within 5 years	**–**	226,300
More than 5 years	**2,486,135**	2,483,785
	2,911,470	4,462,809
Less: Amounts due within 1 year shown under current liabilities	**(425,335)**	(1,577,724)
Amounts shown under non-current liabilities	**2,486,135**	2,885,085

31 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	
	2013	2012
	RMB'000	*RMB'000*
Fixed-rate borrowings:		
Within 1 year	**325,335**	874,247
More than 5 years	**2,486,135**	2,483,785
	2,811,470	3,358,032

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

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Variable-rate borrowings:		
Within 1 year	**100,000**	703,477
More than 1 year, but within 2 years	**–**	175,000
More than 2 years, but within 5 years	**–**	226,300
	100,000	1,104,777

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:

	2013	2012
Fixed-rate borrowings	**4.6%-6.63%**	1.20% to 6.89%
Variable-rate borrowings	**0.97%-5.6%**	1.01% to 6.15%

31 INTEREST-BEARING BORROWINGS (continued)

(c) Unutilized banking facilities

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

	2013	2012
	RMB'000	*RMB'000*
expiring within 1 year	**7,996,998**	15,255,395
expiring beyond 1 year	**19,874,318**	16,555,460
	27,871,316	31,810,855

At 31 December 2013, certain prepaid lease payments, property, plant and equipment with carrying values of approximately RMB30,558,000 (2012: RMB37,099,000) were pledged to secure banking facilities and borrowings granted to the Group.

32 SHORT-TERM COMMERCIAL PAPER

One of the Group's subsidiaries issued a one-year commercial paper of RMB1 billion in the PRC debenture market on 25 April 2013. This commercial paper bears fixed interest rate of 4.08% per annum and interests are paid annually. Interest payable for the current period was included in other payables.

33 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	
	2013	2012
	RMB'000	*RMB'000*
Deferred tax assets	**337,172**	674,865
Deferred tax liabilities	**(259,082)**	(271,945)
	78,090	402,920

33 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 2012	(59,040)	12,816	47,162	683,674	234	12,576	697,422
Credit/(charge) to profit or loss for the year	6,015	(6,428)	7,363	(63,502)	(16)	(4,937)	(61,505)
Additions on acquisition of a subsidiary	(218,540)	–	1,546	10,352	(207)	4,974	(201,875)
Deemed disposal of interest in a subsidiary	–	–	(28,797)	–	–	(2,325)	(31,122)
At 31 December 2012	(271,565)	6,388	27,274	630,524	11	10,288	402,920
At 1 January 2013	**(271,565)**	**6,388**	**27,274**	**630,524**	**11**	**10,288**	**402,920**
Credit/(charge) to profit or loss for the year	**12,691**	**(4,500)**	**4,879**	**(350,643)**	**141**	**12,602**	**(324,830)**
At 31 December 2013	**(258,874)**	**1,888**	**32,153**	**279,881**	**152**	**22,890**	**78,090**

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 RMB351,403,000 during the year ended 31 December 2013 because the management assesses that it's no longer probable for the Group to make sufficient taxable profit to cover tax losses of RMB1,405,612,000.

As at 31 December 2013, the Group has recognized deferred tax assets in respect of tax losses amounting to approximately RMB1,119,524,000 (2012: RMB2,522,097,000) that can be carried forward against taxable income in the coming five years. No tax loss expired in current year (2012: nil).

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.

33 DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES (continued)

(b) Deferred tax assets not recognized

Except for the tax losses of RMB1,405,612,000 mentioned above, no deferred tax assets were recognized on the remaining tax losses of approximately RMB1,115,369,000 (2012: RMB709,233,000) as the Group determines that the realization of the related tax benefit through future taxable profits is not probable. Included in the unrecognized tax losses are losses of RMB525,382,000 that will expire before 31 December 2018 (2012: RMB136,004,000 that will expire before 31 December 2017). Other losses may be carried forward indefinitely.

(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 RMB121,390,000 (2012: RMB195,870,000) at 31 December 2013.

34 ISSUED EQUITY

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

	2013	2012
	RMB'000	*RMB'000*
At 1 January	**8,267,384**	8,264,318
Issue of new shares of par value of HK$0.10 each:		
Exercise of share options	**–**	3,066
At 31 December	**8,267,384**	8,267,384

The amount of issued equity of the Group as at 31 December 2012 and 2013, which includes share capital and share premium in the consolidated statement of financial position, represents:

(i) due to the application of reverse acquisition basis of accounting during the year ended 31 December 2005, the amount of issued equity of the legal subsidiary, China Fertilizer (Holdings) Company Limited, immediately before the acquisition of HK$78,000, the deemed cost of HK$285,363,000 of the reverse acquisition performed by the Group at the acquisition date; and

(ii) the amounts of the issuance of new shares, shares upon exercise of share options and additional shares from conversion of the convertible loan notes since the year ended 31 December 2005, after deducting the costs of issuing the new shares.

34 ISSUED EQUITY (continued)

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

	2013			2012		
	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	7,024,456	702,446	691,750	7,022,686	702,269	691,606
Exercise of options	–	–	–	1,770	177	144
At 31 December	7,024,456	702,446	691,750	7,024,456	702,446	691,750

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

No preference shares are issued at 31 December 2013 and 2012.

35 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.

36 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	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
US$	**571,126**	733,708	**5,002**	283

Sensitivity analysis

The Group is mainly exposed to the risk of fluctuations in the United States dollars.

Since the foreign currency denominate monetary assets and monetary liabilities are not significant, the management considers the Group is not sensitive to the change of exchange rate of functional currency of relevant entities against US$. Accordingly, no sensitivity analysis about currency risk is prepared.

36 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 31 for details of these borrowings), short-term commercial paper (see note 32) and other deposits. The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings (see note 31 for details of these borrowings). 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 (2012: 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 (2012: 100 basis points) higher/lower and all other variables were held constant, the Group's:

- loss for the year ended 31 December 2013 would increase/decrease by approximately RMB750,000 (2012: approximately RMB8,286,000). This is mainly attributable to the Group's exposure to change in interest rates on its variable-rate borrowings.

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

36 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% (2012: 10%) higher/lower:

- investment valuation reserve/impairment losses would increase by approximately RMB9,141,000 (2012: RMB8,071,000) 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 2013 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.

36 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 2013, the Group has available unutilized bank loan facilities of approximately RMB27,871,316,000 (2012: approximately RMB31,810,855,000). Details are set out in note 31.

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.

	2013 Contractual undiscounted cash outflow				
	Within 1 year or on demand	1-5 years	more than 5 years	Total	Balance sheet carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	2,618,789	–	–	2,618,789	2,618,789
Other payables	796,261	–	–	796,261	796,261
Borrowings and short-term commercial paper:					
– fixed rate	1,465,505	500,342	2,612,329	4,578,176	3,811,470
– variable rate	100,689	–	–	100,689	100,000
	4,981,244	500,342	2,612,329	8,093,915	7,326,520

36 FINANCIAL INSTRUMENT (continued)

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

Liquidity risk (continued)

	2012 Contractual undiscounted cash outflow				
	Within 1 year or on demand	1-5 years	more than 5 years	Total	Balance sheet carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	3,564,875	–	–	3,564,875	3,564,875
Other payables	1,052,306	–	–	1,052,306	1,052,306
Borrowings:					
– fixed rate	1,016,277	500,342	2,737,329	4,253,948	3,358,032
– variable rate	735,169	425,105	–	1,160,274	1,104,777
	6,368,627	925,447	2,737,329	10,031,403	9,079,990

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.

36 FINANCIAL INSTRUMENT (continued)

(b) Fair value (continued)

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

	31 December 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Listed available-for-sale investments	**91,409**	**–**	**–**	**91,409**

	31 December 2012			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Listed available-for-sale investments	80,709	–	–	80,709

(ii) Fair value of financial instruments carried at other than fair value

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:

	2013		2012	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Financial liabilities	**2,486,135**	**2,484,615**	2,483,785	2,504,110

36 FINANCIAL INSTRUMENT (continued)

(c) Estimation of fair values

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

(i) Available-for-sale securities

The fair value of available-for-sale securities is determined by reference to their quoted bid price at the end of the reporting period. When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

(ii) 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.

(iii) 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.

(iv) 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.

(v) Interest rates used for determining fair value

The Group uses the market rate of interest-bearing borrowings as of 31 December 2013. The interest rates used are disclosed in note 31.

37 CONTINGENT LIABILITIES

At 31 December 2013 and 2012, the Group had no material contingent liabilities.

38 COMMITMENTS

(i) Capital commitment

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

(ii) 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:

	2013 RMB'000	2012 RMB'000
Within 1 year	37,510	49,118
More than 1 year, but within 5 years	12,378	37,561
Over 5 years	1,627	1,578
	51,515	88,257

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.

39 RELATED PARTY TRANSACTIONS

The major related parties that had transactions with the Group during the year ended 31 December 2013 and 2012 were as follows:

Holding company

Sinochem Hong Kong (Group) Company Limited ("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)

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 Industrial
(貴州鑫新工農貿易有限公司)
Xinxin Chemical
(貴州鑫新煤化工有限公司)
Yangmei Pingyuan
(陽煤平原化工有限公司)
Tianjin Beihai
(天津北海實業有限公司)

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)

39 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:

	2013 *RMB'000*	2012 *RMB'000*
Sales of fertilizers to		
Sinochem Group *(note 1)*	**44,682**	78,809
Gansu Wengfu	**–**	84,796
Sinochem Mosaic	**136,637**	–
Three Circles-Sinochem	**167,368**	265,900
	348,687	429,505
Purchases of fertilizers from		
Sinochem Group *(note 1)*	**422,384**	458,138
Qinghai Salt Lake	**142,332**	427,013
Three Circles-Sinochem	**1,042,487**	912,875
Gansu Wengfu	**187,573**	384,407
Xinxin Industrial	**32,147**	51,639
Sinochem Mosaic	**63,277**	30,501
PCS Sales *(note 1)*	**9,694**	9,385
Yangmei Pingyuan	**1,240,832**	112,064
	3,140,726	2,386,022
Import service fee paid to		
Sinochem Group *(note 1)*	**2,842**	2,362
Sinochem (United Kingdom) Limited	**12,382**	12,586
	15,224	14,948
Office rental fee paid to		
Sinochem HK	**4,529**	5,239
Chemsunny Ltd.	**18,473**	18,449
	23,002	23,688
Borrowings from Sinochem Group		
Sinochem Group *(Note 2)*	**200,000**	–

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

Note 2: Borrowings from Sinochem Group are special funds for biological organic fertilizer project of the Group. The borrowings are unsecured and interest-free for the year of 2013.

39 RELATED PARTY TRANSACTIONS (continued)

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

	2013 RMB'000	2012 RMB'000
Other receivables		
Chemsunny Ltd.	4,273	4,273
Sinochem HK	–	1,442
Yangmei Pingyuan	1,014	1,014
	5,287	6,729
Advance payments		
Gansu Wengfu	49,779	53,455
Qinghai Salt Lake	5,428	144,285
Xinxin Industrial	–	8,795
Yangmei Pingyuan	–	83,939
Jinmao Investment	–	3,926
	55,207	294,400
Loans to an associate		
Yangmei Pingyuan	889,296	1,297,284
Trade payables		
Sinochem Group	1,407,219	2,292,707
Three Circles-Sinochem	157,756	177,588
Yangmei Pingyuan	6,843	–
Xinxin Industrial	13,761	37,607
	1,585,579	2,507,902
Other payables		
Sinochem Group	200,000	–
Yangmei Pingyuan	47,675	47,675
	247,675	47,675
Receipt in advance		
Sinochem Mosaic	11,672	36,443

39 RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel

Key management personnel are Group's directors and senior executives. Remuneration paid 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 to senior executives is as follows:

	2013	2012
	RMB'000	*RMB'000*
Salaries and other benefits	**4,009**	4,235
Performance related incentive payments	**–**	5,859
Retirement benefits scheme contribution	**211**	194
	4,220	10,288

The emoluments of senior executives were within the following bands:

	2013	2012
	Number of individuals	*Number of individuals*
Nil to HK$1,000,000	**7**	2
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	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	**–**	1
	7	7

39 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 the PRC government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under Sinochem Group which is controlled by the PRC 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	
	2013	2012
	RMB'000	*RMB'000*
Trade and bills receivables	**21,166**	144,283
Other receivables and advance payments	**403,397**	452,836
Trade and bills payables	**142,027**	337,710
Other payables and receipt in advance	**57,430**	163,502

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

	2013	2012
	RMB'000	*RMB'000*
Sales of fertilizers	**8,039,808**	3,802,063
Purchases of fertilizers	**8,872,133**	10,071,879

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)

40 PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at 31 December 2013 and 2012:

Name of subsidiaries	Place of incorporation/ registration	Nominal value of issued capital/ registered capital	Proportion ownership interest held by the Group		Principal activities
			2013	2012	
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
Indirectly held:					
Sinochem Fertilizer (Overseas) Holdings Ltd.	BVI	US$10,002	100%	100%	Investment holding
Sinochem Fertilizer Co., Ltd. (中化化肥有限公司) *(note a)*	The PRC	RMB7,600,000,000	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
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

(Expressed in RMB unless otherwise indicated)

40 PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ registration	Nominal value of issued capital/ registered capital	Proportion ownership interest held by the Group		Principal activities
			2013	2012	
Indirectly held: (continued)					
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)* (煙台中化作物營養有限公司)	The PRC	US$1,493,000	100%	100%	Sales and manufacturing of fertilizers
Manzhouli Kaiming Fertilizer Co., Ltd. *(note c)* (滿洲里凱明化肥有限公司)	The PRC	RMB5,000,000	100%	100%	Fertilizer trading
Sinochem Jilin Changshan Chemical Co., Ltd. *(note c) (note d)* (中化吉林長山化工有限公司)	The PRC	RMB1,018,650,000	94.78%	90.81%	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
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

(Expressed in RMB unless otherwise indicated)

40 PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ registration	Nominal value of issued capital/ registered capital	Proportion ownership interest held by the Group 2013	2012	Principal activities
Indirectly held: (continued)					
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 Ningxia Chemical Co., Ltd. *(note c) (note e)* (中化寧夏化工有限公司)	The PRC	RMB160,000,000	**100%**	100%	Sales and manufacturing of fertilizers
Sinochem Hainan Crop Science and Technology. *(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
Note d: Acquisition of non-controlling interests in 2013
Note e: In the process of deregistration

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.

41 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.

42 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	
	2013	2012
	RMB'000	*RMB'000*
Investments in subsidiaries	**6,001,190**	6,189,729
Amount due from subsidiaries	**5,662,615**	5,862,315
Other non-current assets	**92,964**	80,745
Bank balances and cash	**5,436**	4,747
Other current assets	**682,829**	838,049
Total assets	**12,445,034**	12,975,585
Other current liabilities	**8,452**	12,680
Total equity	**12,436,582**	12,962,905

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2013	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**34,721,849**	41,190,137	36,684,963	29,271,077	27,010,709
(Loss)/profit before tax	**(281,382)**	1,022,365	836,501	482,862	(2,149,096)
Income tax (expense)/credit	**(343,424)**	(98,711)	(150,717)	(481)	683,127
(Loss)/profit for the year	**(624,806)**	923,654	685,784	482,381	(1,465,969)
(Loss)/profit attributable to					
Owners of the Group	**(476,340)**	878,369	677,968	535,711	(1,443,813)
Non-controlling interests	**(148,466)**	45,285	7,816	(53,330)	(22,156)
	(624,806)	923,654	685,784	482,381	(1,465,969)

	At 31 December				
	2013	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**23,829,283**	26,409,804	28,398,490	25,444,563	25,291,151
Total liabilities	**(10,536,306)**	(12,287,171)	(15,029,607)	(12,510,529)	(12,756,113)
Net assets	**13,292,977**	14,122,633	13,368,883	12,934,034	12,535,038

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