THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in Sinofert Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

SINOFERT HOLDINGS LIMITED
中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

MAJOR AND CONNECTED TRANSACTION PROPOSED ACQUISITION OF 15.01% EQUITY INTEREST IN QINGHAI SALT LAKE

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Guotai Junan Capital Limited

A letter from the Board is set out on pages 4 to 12 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 13 to 14 of this circular. A letter from Guotai Junan, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 30 of this circular.

A notice convening the SGM of Sinofert Holdings Limited to be held at Drawing Room, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 12 February 2015 at 10:00 a.m. is set out on pages 128 to 129 of this circular. Whether or not you are able to attend and vote at the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy as instructed will not preclude you from subsequently attending and voting at the meeting or any adjourned meeting if you so wish.

* *For identification purposes only*

27 January 2015

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In this circular, unless the context otherwise requires, the following expressions have the following meaning:

"Acquisition"	the proposed acquisition of 238,791,954 shares of Qinghai Salt Lake, representing 15.01% of its total issued share capital
"associate(s)"	has the same meaning ascribed to it under the Listing Rules
"Board"	the board of Directors of the Company
"Company"	Sinofert Holdings Limited, a company incorporated on 26 May 1994 in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
"connected person"	has the same meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the same meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company formed to advise the Independent Shareholders in respect of the terms of the Acquisition, comprising all independent non-executive Directors, namely Mr. Ko Ming Tung, Edward and Mr. Tse Hau Yin, Aloysius
"Independent Financial Adviser" or "Guotai Junan"	Guotai Junan Capital Limited, a licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition

"Independent Shareholders"	shareholders other than Sinochem Group and its associates
"Latest Practicable Date"	19 January 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Option"	an option granted by Sinochem Group to Sinochem Fertilizer on 25 December 2008, pursuant to which Sinochem Fertilizer may require Sinochem Group to sell its entire shareholding in Qinghai Salt Lake at fair market value
"PRC" or "China"	the People's Republic of China, which for the purposes of this circular only, excludes Hong Kong, Macao Special Administrative Region and Taiwan
"Qinghai Salt Lake"	青海鹽湖工業股份有限公司 (Qinghai Salt Lake Industry Co., Ltd., formerly known as 青海鹽湖鉀肥股份有限公司 (Qinghai Salt Lake Potash Co. Ltd.)), a joint stock limited liability company established in the PRC whose shares are listed on the Shenzhen Stock Exchange
"RMB"	Renminbi, the lawful currency of the PRC
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held at Drawing Room, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 12 February 2015 at 10:00 a.m., or any adjournment thereof, the notice of which is set out on pages 128 to 129 of this circular
"Share(s)"	ordinary share(s) of HK$0.10 each in the capital of the Company

"Share Transfer Agreement"	the share transfer agreement proposed to be entered into between Sinochem Fertilizer (as purchaser) and Sinochem Corporation (as seller) in relation to the Acquisition
"Shareholder(s)"	registered holder(s) of Share(s)
"Sinochem Corporation"	中國中化股份有限公司 (Sinochem Corporation), a joint stock company with limited liability established under the laws of the PRC, an immediate holding company of Sinochem HK, and a subsidiary of Sinochem Group
"Sinochem Fertilizer"	中化化肥有限公司 (Sinochem Fertilizer Company Limited), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
"Sinochem Group"	中國中化集團公司 (Sinochem Group), a state-owned enterprise incorporated in the PRC and the ultimate controlling shareholder of the Company
"Sinochem HK"	Sinochem Hong Kong (Group) Company Limited, a company incorporated in Hong Kong with limited liability, which is wholly-owned by Sinochem Corporation and is the immediate controlling shareholder of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the same meaning ascribed to it under the Listing Rules
"%"	percent

For the purposes of illustration only, the exchange rate of RMB1.00 = HK$1.264 has been used for currency translation. No representation is made that any amount in RMB has been or could be converted at the above rate or at any other rates or at all.

SINOFERT HOLDINGS LIMITED
中化化肥控股有限公司*

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

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

Non-executive Directors:
LIU De Shu *(Chairman)*
YANG Lin
Stephen Francis DOWDLE
XIANG Dandan

Independent Non-executive Directors:
KO Ming Tung, Edward
TSE Hau Yin, Aloysius

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

27 January 2015

To: the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION PROPOSED ACQUISITION OF 15.01% EQUITY INTEREST IN QINGHAI SALT LAKE

INTRODUCTION

Reference is made to the announcement of the Company dated 9 December 2014 in relation to Sinochem Fertilizer's proposed acquisition of 15.01% equity interest in Qinghai Salt Lake, which constitutes a major and connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

* *For identification purposes only*

The purpose of this circular is to provide you with (i) further information on the details of the Share Transfer Agreement and the Acquisition; (ii) the letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the notice of the SGM; and (v) other information as required under the Listing Rules.

MAJOR AND CONNECTED TRANSACTION

As disclosed in the announcement of the Company dated 28 December 2008, in order to fulfil Sinochem Group's obligations under a non-competition undertaking entered into by Sinochem Group in favour of the Company on 6 June 2005, Sinochem Group has granted the Option to Sinochem Fertilizer on 25 December 2008, conferring the rights to Sinochem Fertilizer, at the discretion of the Company, to require Sinochem Group to sell its then entire shareholding in Qinghai Salt Lake at fair market value to it, provided that such sale and purchase shall comply with all the requirements under the PRC laws, rules and regulations and other documents issued by the competent authorities effective at the time.

In 2009, Sinochem Corporation was established and Sinochem Group transferred its interest in Qinghai Salt Lake to Sinochem Corporation. On 20 July 2009, Sinochem Corporation issued a lock-up undertaking, pursuant to which, Sinochem Corporation shall not trade on the Shenzhen Stock Exchange or otherwise transfer any of Qinghai Salt Lake's shares held by it for a period of 36 months commencing from the date on which Qinghai Salt Lake's shares were registered under the name of Sinochem Corporation (i.e. 15 March 2011).

Given that the above lock-up period expired on 15 March 2014 and the share price of Qinghai Salt Lake reached its low level at mid-year 2014, after careful deliberation, the Board considered that it is an appropriate time to exercise the Option and announced on 9 December 2014 that it resolved to exercise the Option. In this connection, Sinochem Fertilizer proposed to enter into the Share Transfer Agreement with Sinochem Corporation, pursuant to which Sinochem Fertilizer shall acquire, and Sinochem Corporation shall sell, 238,791,954 issued shares of Qinghai Salt Lake, representing 15.01% of its total issued share capital, at a total consideration of RMB3,890,101,118.75 (equivalent to HK$4,917,087,814.10).

As at the Latest Practicable Date, Sinochem Fertilizer owns 142,260,369 shares of Qinghai Salt Lake, representing 8.94% of its total issued share capital. Upon completion of the Acquisition, Sinochem Fertilizer will hold 381,052,323 shares of Qinghai Salt Lake, representing 23.95% of the total issued share capital and will become the second largest shareholder of Qinghai Salt Lake. Furthermore, on 6 November 2014, Qinghai Salt Lake announced its plans to raise RMB5.4 billion through non-public issue of no more than 331,491,713 shares, upon completion of which, Sinochem Fertilizer's interest in Qinghai Salt Lake will be diluted to approximately 19.82%. The Company currently does not have any intention to acquire additional interests in Qinghai Salt Lake.

Sinochem Fertilizer and Sinochem Corporation have finalized the terms of the Share Transfer Agreement. After the approval from the Independent Shareholders is obtained at the SGM, Sinochem Fertilizer and Sinochem Corporation will enter into the Share Transfer Agreement, which will contain substantially the same terms as those disclosed in this circular and to be approved by the Independent Shareholders at the SGM. If the signed Share Transfer Agreement contains material terms that are not disclosed in this circular, or major amendments are made to the terms disclosed in this circular, the Company will make further announcement and seek approval from the Independent Shareholders with respect to such amendments or changes in the terms.

Principal Terms of the Share Transfer Agreement

Parties

Purchaser: Sinochem Fertilizer

Seller: Sinochem Corporation

Interest to be acquired

238,791,954 shares of Qinghai Salt Lake, representing 15.01% of its total issued share capital.

Consideration

The total consideration for the Acquisition is RMB3,890,101,118.75 (equivalent to HK$4,917,087,814.10).

The consideration was arrived at after arm's length negotiations between Sinochem Corporation and the Company based primarily on the pricing mechanism stipulated in the relevant rules and regulations of SASAC governing disposal of listed shares by state-owned enterprises (Sinochem Corporation being a state-owned enterprise). The consideration of approximately RMB16.29 per share represents 90% of the 30-trading day average of the daily volume weighted average price of approximately RMB18.10 per share from 20 August 2014 to 8 October 2014 (being the last trading day of the shares of Qinghai Salt Lake preceding the date of the indicative announcement of Qinghai Salt Lake in relation to the Acquisition). The consideration per share of RMB16.29 also represents an approximately 27.63% discount to Qinghai Salt Lake's closing price of RMB22.51 per share on 8 December 2014.

The Company is considering a number of options for financing the Acquisition, including internal cash resources and debt financing. As at 30 November 2014, the Group had unutilized banking facilities of RMB6.78 billion and USD1.75 billion, which, together with internal cash resources of the Group, provide sufficient working capital to settle the consideration and for the Group's operation in the coming twelve months.

Payment

The consideration for the Acquisition shall be paid by Sinochem Fertilizer to Sinochem Corporation in cash in two instalments as follows:

(a) unless otherwise waived by Sinochem Corporation in accordance with (c) below, within five business days of signing of the Share Transfer Agreement, Sinochem Fertilizer shall pay 30% of the consideration as deposit to Sinochem Corporation in cash;

(b) within ten business days upon satisfaction of the condition of the Acquisition, Sinochem Fertilizer shall pay the remaining 70% of the consideration to Sinochem Corporation in cash; and

(c) where Sinochem Corporation, upon approval by SASAC, waives the deposit payment as described in (a) above, Sinochem Fertilizer shall pay the consideration in full within ten business days upon satisfaction of the condition of the Acquisition.

Condition of the Acquisition

Sinochem Fertilizer and Sinochem Corporation will enter into the Share Transfer Agreement after the approval from the Independent Shareholders is obtained at the SGM. The Acquisition is conditional upon the obtaining of the approval from SASAC and relevant authorities with respect to the Share Transfer Agreement and the Acquisition.

If the condition of the Acquisition is not satisfied by 31 March 2015, either party shall have the right to terminate the Share Transfer Agreement and all moneys paid by Sinochem Fertilizer (if any) to Sinochem Corporation shall be refunded in full to Sinochem Fertilizer.

Completion

Within ten business days after the condition of the Acquisition is satisfied, Sinochem Corporation shall cooperate with Sinochem Fertilizer to complete the registration of the share transfer with China Securities Depository and Clearing Corporation Limited. Completion of the Acquisition shall take place on the date when the registration of the share transfer is completed.

Upon completion of the Acquisition, Sinochem Fertilizer will hold 381,052,323 shares of Qinghai Salt Lake, representing 23.95% of the total issued share capital and will become the second largest shareholder of Qinghai Salt Lake. Furthermore, on 6 November 2014, Qinghai Salt Lake announced its plans to raise RMB5.4 billion through non-public issue of no more than 331,491,713 shares, upon completion of which, Sinochem Fertilizer's interest in Qinghai Salt Lake will be diluted to approximately 19.82%. The Company currently does not have any intention to acquire additional interests in Qinghai Salt Lake.

Upon completion of the Acquisition, Sinochem Fertilizer shall have the right to nominate two out of eleven directors of Qinghai Salt Lake.

INFORMATION ON QINGHAI SALT LAKE

Qinghai Salt Lake is a joint stock limited liability company established in the PRC, the shares of which are traded on the Shenzhen Stock Exchange. Its principal activities are the manufacturing and sale of chlorine potassium, potassium sulfate and potassium carbonate, sale of potassium hydroxide, and outdoor exploitation of potash. Other activities include the production and sale of carnallite, low adopt carnallite and other mining products.

In 2006, Sinochem Group subscribed for 526,000,000 shares of 青海鹽湖工業集團股份有限公司 (Qinghai Salt Lake Industry Group Co., Ltd., "Salt Lake Group") at a consideration of RMB800 million, representing 23.45% of the then issued share capital of Salt Lake Group. At the same time, Sinochem Group agreed not to receive the final dividend of 2006, as a result of which, an amount of approximately RMB326 million in respect of the final dividend receivable by Sinochem Group has been capitalized as capital reserve in the accounts of Salt Lake Group. Following Salt Lake Group's listing on the Shenzhen Stock Exchange in 2008, the share capital of Salt Lake Group was enlarged and accordingly, Sinochem Group's interest in Salt Lake Group was diluted to 22.74%. In 2009, Sinochem Corporation was established and Sinochem Group transferred its interest in Salt Lake Group to Sinochem Corporation. In 2011, Salt Lake Group merged with 青海鹽湖鉀肥股份有限公司 (Qinghai Salt Lake Potash Co. Ltd., "Salt Lake Potash") by way of issuance of new shares by Salt Lake Potash in exchange for and cancellation of the then existing shares of Salt Lake Group, whereby Salt Lake Potash became the surviving entity and was renamed as 青海鹽湖工業股份有限公司 (Qinghai Salt Lake Industry Co., Ltd., i.e. Qinghai Salt Lake). Sinochem Corporation's interest in Qinghai Salt Lake was changed to 238,791,954 shares, representing 15.01%, as a result of the above merger.

Qinghai Salt Lake has the mining right of Chaerhan Salt Lake in Qinghai province, which is the largest potassium mine in the PRC. All potash and chemical products of Qinghai Salt Lake are produced from the natural resources extracted from Chaerhan Salt Lake, and Qinghai Salt Lake does not acquire the natural resources of potash from other independent suppliers. Qinghai Salt Lake has an annual production capacity of potash of 2.0 million tons in 2011, which was expanded to 3.5 million tons in 2013, making it the largest potash production enterprise in the PRC.

Based on the audited financial statements of Qinghai Salt Lake prepared in accordance with the Hong Kong Financial Reporting Standards, the net asset value of Qinghai Salt Lake as at 30 September 2014 was RMB18,705 million, and the profits of Qinghai Salt Lake for the two years ended 31 December 2013 and for the nine months ended 30 September 2014 were as follows:

	Year ended 31 December 2012 *(RMB million)*	**Year ended 31 December 2013** *(RMB million)*	**Nine months ended 30 September 2014** *(RMB million)*
Profit before taxation	3,220	1,431	875
Profit after taxation	2,752	1,066	685
Profit for the year/period attributable to shareholders of Qinghai Salt Lake	2,524	1,052	653

Qinghai Salt Lake and its subsidiaries are principally engaged in the manufacturing and sales of potash and chemical products, and its turnover is primarily derived from these two segments, namely manufacturing and sale of potassium chloride and related products and manufacturing and sale of chemical products and others, such as cement, potassium hydroxide and potassium carbonate. As at 31 December 2013, the carrying amount of mining rights recorded on intangible assets of Qinghai Salt Lake is RMB499 million, which accounted for less than 1% of its consolidated total assets. Qinghai Salt Lake explores and/or extracts natural resources only for producing potash and chemical products and not for selling natural resources directly.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Through the Acquisition, Sinochem Fertilizer will become the second largest shareholder of Qinghai Salt Lake and can exercise more influence on significant matters of Qinghai Salt Lake, which will enhance the efficiency of Sinochem Fertilizer's management over Qinghai Salt Lake. Furthermore, the Acquisition can maximize the value and use of the distribution network of Sinochem Fertilizer, further improve its bargaining power and consolidate its leading position in potassium fertilizer industry of the PRC.

The Directors (including the independent non-executive Directors) are of the view that the Acquisition is conducted by the Company in its ordinary and usual course of business, on normal commercial terms, is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Mr. Liu De Shu and Mr. Yang Lin, being employees of Sinochem Group, are regarded as having a material interest in the Share Transfer Agreement and have abstained from voting on the relevant Board resolution passed to approve the Acquisition.

INFORMATION ON THE COMPANY AND SINOCHEM CORPORATION

The Company is principally engaged in the production, procurement and sale of fertilizers and related products in the PRC. The main business comprises research and development, production, procurement and distribution of fertilizers and forms a vertically integrated business model combining upstream and downstream businesses. The Company aims to serve the agricultural industry in the PRC by introducing quality resources from overseas and to ensure food security in the PRC.

Sinochem Fertilizer is engaged in the production, import, export, distribution, wholesale and retail of fertilizer raw materials and products, as well as research and development and services in the field of fertilizer-related business and products.

Sinochem Corporation, through its subsidiaries, is principally engaged in exploration and management of petroleum and natural gas, manufacturing and management of fertilizer, seeds, pesticides and agricultural products, development and management of chemical products and pharmaceutical products, development and management of mineral resources and new energy, development and operation of hotels and real estates, etc.

LISTING RULES IMPLICATIONS

Sinochem Corporation is the indirect controlling shareholder of the Company holding an effective interest of approximately 52.65% in the Company, and is therefore a connected person of the Company. As such, the Acquisition constitutes a connected transaction of the Company under the Listing Rules. Given that one or more of the applicable percentage ratios in respect of the Acquisition are more than 5%, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Furthermore, as one or more of the applicable percentage ratios in respect of the Acquisition are more than 25% but less than 100%, the Acquisition also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

FINANCIAL EFFECT OF THE ACQUISITION

Following the completion of the Acquisition, Qinghai Salt Lake will continue to be equity accounted for as an associate in the consolidated financial statements of the Company.

Effects on Assets

Based on the unaudited pro forma consolidated statement of financial position of the Group on pages 121 to 122 of this circular, total current assets of the Group will be decreased by RMB3,892 million, being the total consideration for the Acquisition net of existing bank balances as at 30 June 2014.

Effects on Earnings

For the year ended 31 December 2013, profit attributable to shareholders of Qinghai Salt Lake amounted to RMB1,052 million, while for the nine months period ended 30 September 2014, profit attributable to shareholders of Qinghai Salt Lake amounted to RMB653 million. In view of the continuous profitability of Qinghai Salt Lake, the Company believes that the Acquisition can enhance the profitability and earnings prospect of the Group.

SGM

A resolution approving the Share Transfer Agreement and the Acquisition shall be proposed at the SGM.

In view of Sinochem Corporation's interests in the Share Transfer Agreement and the Acquisition, Sinochem Group and its associates are required to abstain and shall abstain from voting on the resolution to be proposed at the SGM to approve the Share Transfer Agreement and the Acquisition.

A notice convening the SGM to be held at Drawing Room, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 12 February 2015 at 10:00 a.m. is set out on pages 128 to 129 of this circular.

A form of proxy for the SGM is enclosed herewith. Whether or not Shareholders are able to attend and vote at the SGM, they are requested to complete the enclosed form of proxy and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy as instructed will not prevent Shareholders from subsequently attending and voting at the SGM or any adjourned meeting if they so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the Share Transfer Agreement and the Acquisition are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors therefore recommend the Independent Shareholders to vote in favour of the relevant resolution set out in the notice of the SGM.

FURTHER INFORMATION

The Independent Board Committee comprising two independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Share Transfer Agreement and the Acquisition. Guotai Junan has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in such regard. Accordingly, your attention is drawn to the letter from the Independent Board Committee set out on pages 13 to 14 of this circular, which contains its advice to the Independent Shareholders and the letter from the Independent Financial Adviser set out on pages 15 to 30 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders.

Your attention is also drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
Sinofert Holdings Limited
Wang Hong Jun
Executive Director and Chief Executive Officer

SINOFERT HOLDINGS LIMITED
中化化肥控股有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 297)

27 January 2015

To: the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
PROPOSED ACQUISITION OF 15.01% EQUITY INTEREST IN
QINGHAI SALT LAKE**

We refer to the circular of the Company dated 27 January 2015 (the "Circular") to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed to advise the Independent Shareholders as to whether, in our opinion, the Share Transfer Agreement and the Acquisition are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. In this connection, Guotai Junan has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Transfer Agreement and the Acquisition.

We wish to draw your attention to the letter from the Board set out on pages 4 to 12 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 15 to 30 of the Circular which contains its opinion in respect of the Share Transfer Agreement and the Acquisition.

* *For identification purposes only*

Having taken into account the advice of the Independent Financial Adviser and its recommendation in relation thereto, we consider that the Share Transfer Agreement and the Acquisition are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that you vote in favour of the relevant resolution set out in the notice of the SGM.

Yours faithfully,
Independent Board Committee of
Sinofert Holdings Limited
Tse Hau Yin, Aloysius
Ko Ming Tung, Edward

The following is the text of the letter of advice from Guotai Junan to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

27 January 2015

*To the Independent Board Committee and
the Independent Shareholders of
Sinofert Holdings Limited*

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTION
PROPOSED ACQUISITION OF 15.01% EQUITY INTEREST IN
QINGHAI SALT LAKE**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition proposed to be contemplated under the Share Transfer Agreement, particulars of which are set out in the "Letter from the Board" of the circular of the Company to the Shareholders dated 27 January 2015 (the "**Circular**") of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as those defined in the Circular.

Reference is made to the announcements of the Company dated 13 October 2014 and 9 December 2014 (the "**Announcement**"). On 9 December 2014, the Board resolved to exercise the Option. In this connection, Sinochem Fertilizer proposed to enter into the Share Transfer Agreement with Sinochem Corporation, pursuant to which, Sinochem Fertilizer shall acquire, and Sinochem Corporation shall sell, 238,791,954 issued shares of Qinghai Salt Lake, representing 15.01% of its total issued share capital, at a total consideration of RMB3,890,101,118.75 (equivalent to HK$4,917,087,814.10).

As at the Latest Practicable Date, Sinochem Corporation is the indirect controlling shareholder of the Company holding an effective interest of approximately 52.65% in the Company, and hence a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under the Listing Rules. Since one or more of the applicable percentage ratios in respect of the Acquisition exceed 5%, the Acquisition constitutes a non-exempt connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, as the applicable percentage ratios in respect of the Acquisition are more than 25% but less than 100%, the Acquisition also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. A SGM will be convened to seek approval from the Independent Shareholders in respect of the Share Transfer Agreement and the Acquisition. In view of Sinochem Corporation's interests in the Share Transfer Agreement and the Acquisition, Sinochem Group and its associates are required to abstain and shall abstain from voting on the relevant ordinary resolution to be proposed at the SGM.

Sinochem Fertilizer and Sinochem Corporation have finalized the terms of the Share Transfer Agreement. After the approval from the Independent Shareholders is obtained at the SGM, Sinochem Fertilizer and Sinochem Corporation will enter into the Share Transfer Agreement, which will contain substantially the same terms as those disclosed in the "Letter from the Board" of the Circular and to be approved by the Independent Shareholders at the SGM. If the signed Share Transfer Agreement contains material terms that are not disclosed in the Circular, or major amendments are made to the terms disclosed in the Circular, the Company will make further announcement and seek approval from the Independent Shareholders with respect to such amendments or changes in the terms. The Acquisition is conditional upon the obtaining of the approval from SASAC and relevant authorities with respect to the Share Transfer Agreement and the Acquisition.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising two independent non-executive Directors, namely Mr. Ko Ming Tung, Edward and Mr. Tse Hau Yin, Aloysius, has been formed to make recommendations to the Independent Shareholders on whether the Share Transfer Agreement and the Acquisition are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and how the Independent Shareholders should vote on the ordinary resolution to be proposed at the SGM. We, Guotai Junan Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Apart from normal professional fees for our services to the Company in connection with the engagement described above, no arrangement exists whereby we will receive any fees and benefits from the Group or where applicable, any of their respective associates. We are independent from and not connected with the Group or where applicable, any of their respective substantial shareholders, directors or chief executive, or any of their respective associates pursuant to Rule 13.84 of the Listing Rules, and are accordingly qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Acquisition.

BASIS OF OUR OPINION

In formulating our opinions and recommendations, we have relied on the statements, information, opinions and representations for matters relating to the Company contained in the Circular and the information and representations provided to us by the Company and/or the Directors and/or its management staff. We have assumed that all such statements, information, opinions and representations for matters relating to the Company contained or referred to in the Circular or otherwise provided or made or given by the Company and/or the Directors and/or its management staff and for which it is/they are responsible are true, accurate and complete in all material aspects at the time they were made and continue to be true, accurate and complete up to the date of the SGM. We have assumed that all the opinions and representations for the matters relating to the Company made or provided by the Company and/or its Directors and/or its management staff contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and received confirmation from the Company and/or the Directors and/or its management staff that no material facts have been withheld or omitted from the information supplied and referred to in the Circular or the reasonableness of the opinions and representations provided to us.

We have relied on such information and consider that the information we have reviewed is sufficient for us to reach an informed view and to justify our reliance on such information so as to provide a reasonable basis for our opinion. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company, the Directors and the management of the Group and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospect of the Company, Sinochem Corporation or Qinghai Salt Lake, or any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice and recommendation, we have considered the following principal factors and reasons:

1. Background to the Acquisition

(i) Background

The Company is principally engaged in the production, procurement and sale of fertilizers and related products in the PRC with its main business comprising research and development, production, procurement and distribution of fertilizers, which forms a vertically integrated business model combining upstream and downstream businesses.

The principal business of Sinochem Fertilizer includes the production, import, export, distribution, wholesale and retail of fertilizer raw materials and products, as well as research and development and services in the field of fertilizer-related businesses and products. The Group aims to serve the agriculture industry in the PRC by introducing quality resources from overseas and to ensure food security in the PRC.

Sinochem Corporation, through its subsidiaries, is principally engaged in exploration and management of petroleum and natural gas, manufacturing and management of fertilizer, seeds, pesticides and agricultural products, development and management of chemical products and pharmaceutical products, development and management of mineral resources and new energy, development and operation of hotels and real estates, etc.

Qinghai Salt Lake is a joint stock limited liability company established in the PRC, the shares of which are traded on the Shenzhen Stock Exchange. As at the Latest Practicable Date, its market capitalization is approximately RMB34,339 million. Its principal activities are the manufacturing and sale of chlorine potassium, potassium sulfate, potassium carbonate, sale of potassium hydroxide, and outdoor exploitation of potash. Other activities of Qinghai Salt Lake include the production and sale of carnallite, low adopt carnallite and other mining products.

As set out in the Letter from the Board, Sinochem Group subscribed for 526,000,000 shares of 青海鹽湖工業集團股份有限公司 (Qinghai Salt Lake Industry Group Co., Ltd., "**Salt Lake Group**") at a consideration of RMB800 million, representing 23.45% of the then issued share capital of Salt Lake Group in 2006. At the same time, Sinochem Group agreed not to receive the final dividend of 2006, as a result of which, an amount of approximately RMB326 million in respect of the final dividend receivable by Sinochem Group has been capitalized as capital reserve in the accounts of Salt Lake Group. Following Salt Lake Group's listing on the Shenzhen Stock Exchange in 2008, the share capital of Salt Lake Group was enlarged and accordingly, Sinochem Group's interest in Salt Lake Group was diluted to 22.74%. In 2009, Sinochem Corporation was established and Sinochem Group transferred its interest in Salt Lake Group to Sinochem Corporation. In 2011, Salt Lake Group merged with 青海鹽湖鉀肥股份有限公司 (Qinghai Salt Lake Potash Co. Ltd., "**Salt Lake Potash**") by way of issuance of new shares by Salt Lake Potash in exchange for and cancellation of the then existing shares of Salt Lake Group, whereby Salt Lake Potash became the surviving entity and was renamed as 青海鹽湖工業股份有限公司 (Qinghai Salt Lake Industry Co., Ltd., i.e. **Qinghai Salt Lake**) (the "**Salt Lake Merger**"). Sinochem Corporation's interest in Qinghai Salt Lake was changed to 15.01% as a result of the Salt Lake Merger. As at the date of the Announcement, 238,791,954 shares of Qinghai Salt Lake was held by Sinochem Corporation, representing approximately 15.01% of the entire issued share capital of Qinghai Salt Lake.

On 6 June 2005, Sinochem Group (formerly known as Sinochem Corporation before its internal reorganization) entered into a non-competition undertaking (the "**Non-Competition Undertaking**") in favour of the Company. In order to fulfil Sinochem Group's obligations under the Non-Competition Undertaking, Sinochem Group has granted the Option to Sinochem Fertilizer on 25 December 2008, conferring the rights to Sinochem Fertilizer, at the discretion of the Company, to require Sinochem Group to sell its then entire shareholding in Qinghai Salt Lake at fair market value to it, provided that such sale and purchase shall comply with all the requirements under the PRC law, rules and regulations and other documents issued by the competent authorities effective at the time. For details, please refer to the announcement of the Company dated 28 December 2008. In addition, Sinochem Corporation issued a lock-up undertaking on 20 July 2009, pursuant to which, Sinochem Corporation shall not trade on the Shenzhen Stock Exchange or otherwise transfer any of Qinghai Salt Lake's shares held by it for a period of 36 months commencing from the date on which Qinghai Salt Lake's shares were registered under the name of Sinochem Corporation. The shares of Qinghai Salt Lake were registered under the name of Sinochem Corporation on 15 March 2011 and the Salt Lake Merger was completed on 25 March 2011. Furthermore, pursuant to the custody agreement entered into between Sinochem Corporation and Sinochem Fertilizer in 2011, Sinochem Fertilizer manages the Qinghai Salt Lake's shares held by Sinochem Corporation and nominates directors and supervisors on behalf of Sinochem Corporation until Sinochem Corporation transfers the shares to Sinochem Fertilizer or other company or Qinghai Salt Lake is dissolved or Qinghai Salt Lake is no longer engaged in the production and sale of fertilizer or related products.

After the expiration of the lock-up period on 15 March 2014 and taking into account the reasons for and benefits of the Acquisition as set out in the "Letter from the Board" of this Circular, the Board resolved to exercise the Option on 9 December 2014 and proposed to enter into the Share Transfer Agreement with Sinochem Corporation, pursuant to which, Sinochem Fertilizer shall acquire and Sinochem Corporation shall sell 238,791,954 issued shares of Qinghai Salt Lake, representing 15.01% of its total issued share capital, at a total consideration of RMB3,890,101,118.75 (equivalent to HK$4,917,087,814.10).

As at the Latest Practicable Date, Sinochem Fertilizer held 142,260,369 shares of Qinghai Salt Lake, representing 8.94% of its total issued share capital. Upon completion of the Acquisition, Sinochem Fertilizer will hold 381,052,323 shares of Qinghai Salt Lake, representing 23.95% of the total issued share capital and will become the second largest shareholder of Qinghai Salt Lake. On 6 November 2014, Qinghai Salt Lake announced its plans to raise RMB5.4 billion through non-public issue of no more than 331,491,713 shares, upon completion of which, Sinochem Fertilizer's interest in Qinghai Salt Lake will be diluted to approximately 19.82%. We understand the Company currently does not have any intention to acquire additional interests in Qinghai Salt Lake.

(ii) Key financial information of the Group

The following table sets out the key financial information of the Group (i) for the year ended 31 December 2012 and 2013 as extracted from the Company's 2013 annual report; and (ii) for the six months ended 30 June 2013 and 2014 as extracted from the Company's 2014 interim report, respectively:

	Year ended 31 December		**Six months ended 30 June**	
	2012	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Audited)*	*(Unaudited)*	*(Unaudited)*
Turnover	41,190,137	34,721,849	20,580,073	15,880,706
Profit/(Loss) before taxation	1,022,365	(281,382)	426,165	116,607
Profit/(Loss) for the year/period	923,654	(624,806)	344,678	72,739
Profit/(Loss) for the year/period attributable to shareholders of the Company	878,369	(476,340)	352,260	137,555

The Group recorded a turnover of approximately RMB34,722 million for the year ended 31 December 2013, representing a decrease of approximately 15.70% as compared to approximately RMB41,190 million for the year ended 31 December 2012, with the fertilizer sales volume of the Group for the year ended 31 December 2013 amounting to 16.28 million tons, representing a decrease of approximately 5.02% as compared to that of the year ended 31 December 2012. According to the Company's 2013 annual report, such decrease was mainly attributable to increased competition in the fertilizer industry in the PRC, which continued to be sluggish. In addition, concurrent release of newly-added production capacity further intensified the oversupply (except for potash), slowed down the growth of demand, making the price of the fertilizers continued to decline. The decreasing price of fertilizers, coupled with continuous increases in transportation costs as well as strengthened requirements for safety and environmental protection which increased the operational pressure, the Group recorded a loss attributable to shareholders of the Company amounting to approximately RMB476 million for the year ended 31 December 2013, as compared to a profit attributable to shareholders of the Company in the amount of approximately RMB878 million for the year ended 31 December 2012. The reversal of deferred tax asset for the year ended 31 December 2013 also contributed RMB351 million of the net loss attributable to shareholders of the Company as disclosed in the Company's 2013 annual report.

According to the Company's 2014 interim report, the Group's total fertilizer sales volume for the six months ended 30 June 2014 was 8.25 million tons, down by approximately 9.74% as compared to the corresponding period in 2013, with the corresponding turnover of approximately RMB15,881 million and approximately RMB20,580 million for the six months ended 30 June 2014 and 2013, respectively. Such decrease was mainly due to no obvious improvement in the supply and demand relation in the fertilizer industry in the first half of 2014 and the selling price of fertilizers was still running low. Accordingly, the profit attributable to the shareholders of the Company was approximately RMB138 million, representing a decrease of approximately 60.80% when compared to approximately RMB352 million for the corresponding period in 2013.

We also note that the operation of the Group comprises two segments, namely marketing segment (procurement and distribution of fertilizers and related products) and production segment (production and sales of fertilizers). The following table sets out the revenues for the Group's operating segments for the two years ended 31 December 2013 and six months ended 30 June 2014.

	Marketing *RMB'000*	**Production** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2012			
Segment revenue	34,855,772	6,334,365	41,190,137
	84.62%	*15.38%*	*100.00%*
Year ended 31 December 2013			
Segment revenue	31,080,307	3,641,542	34,721,849
	89.51%	*10.49%*	*100.00%*
Six months ended 30 June 2014			
Segment revenue	14,510,838	1,369,868	15,880,706
	91.37%	*8.63%*	*100.00%*

The Group's marketing segment, being procurement and distribution of fertilizers and related products, generated approximately 84.62%, 89.51% and 91.37% of its total revenue for the two years ended 31 December 2013 and the six months ended 30 June 2014, respectively. On the other hand, the production segment of Group only generated approximately 15.38%, 10.49% and 8.63% of its total revenue for the two years ended 31 December 2013 and the six months ended 30 June 2014, respectively.

The management of the Company expected that, as disclosed in the Company's 2014 interim report, the PRC fertilizer market would still suffer from excessive oversupply, and the trend of recombination and integration in both production and distribution sectors will speed up. To cope with the severe market competition environment, the Group envisaged that it will implement market-oriented strategies, including but not limited to the promotion of the integration of mine and fertilizer, the integration of production and marketing and the integration of product and service, in order to build a sustainable commercial model and operation model so as to realize the sustainable development of the Group.

As the majority of the revenue of the Group is generated from the procurement and distribution of fertilizers and related products, the Company considers that the Acquisition will facilitate the Group's access to more potash resources through the platform of Qinghai Salt Lake by making additional investments in Qinghai Salt Lake, which is principally engaged in the production and sales of major types of fertilizers and related products, such as potassium chloride, potassium sulfate, potassium carbonate, potassium hydroxide, and outdoor exploitation of potash, and in turn further improve the Group's bargaining power. We concur with the view of the Directors that the Acquisition can maximize the value and use of the distribution network of the Group.

(iii) Information of Qinghai Salt Lake

As set out in the Letter from the Board, Qinghai Salt Lake is the largest potash production enterprise in the PRC and has an annual production capacity of potash of 3.5 million tons. Qinghai Salt Lake has the mining right of Chaerhan Salt Lake in Qinghai province, which is the largest potassium mine in the PRC. All potash and chemical products of Qinghai Salt Lake are produced from the natural resources extracted from Chaerhan Salt Lake. Qinghai Salt Lake's actual production capacity of potassium chloride was approximately 3.26 million tons for the year ended 31 December 2013 and 3.28 million tons for the nine months ended 30 September 2014 according to Qinghai Salt Lake's 2013 annual report and 2014 third quarterly report.

Set out below are certain key financial information of Qinghai Salt Lake for the three years ended 31 December 2013 and the nine months ended 30 September 2013 and 2014, as extracted from the accountants' report on Qinghai Salt Lake prepared in accordance with Hong Kong Financial Reporting Standards contained in Appendix II to the Circular.

	Year ended 31 December			**Nine months ended 30 September**	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*	*(Audited)*
Revenue	6,777,563	8,270,807	8,094,573	5,383,782	6,610,507
Profit before taxation	3,353,864	3,219,775	1,431,142	928,974	875,174
Profit after tax for the year/period	2,817,612	2,751,927	1,066,143	685,368	685,628
Profit for the year/period attributable to shareholders of Qinghai Salt Lake	2,481,131	2,524,262	1,052,207	589,281	652,828

Qinghai Salt Lake recorded a revenue of approximately RMB8,271 million for the year ended 31 December 2012, representing an increase of 22.03% as compared to the revenue of approximately RMB6,778 million for the year ended 31 December 2011 as a result of the rise in the price of potassium chloride products and the increase in output and sales of potassium chloride products due to the continuous enhancement in the product quality. The profit attributable to shareholders of Qinghai Salt Lake for the year ended 31 December 2012 amounted to approximately RMB2,524 million, representing an increase of 1.74% when compared to 2011.

As a result of the combined effects of the increase in output and sales volume of potassium chloride products and the lower average selling price, Qinghai Salt Lake's revenue for the year ended 31 December 2013 decreased by approximately RMB176 million to RMB8,095 million when compared to 2012, representing a decrease of approximately 2.18%. In addition, due to the increase in cost of sales and operating expenses, as well as distribution expenses, the profit attributable to shareholders of Qinghai Salt Lake for the year ended 31 December 2013 amounted to approximately RMB1,052 million, representing a decrease of approximately 58.32% when compared to 2012.

For the nine months ended 30 September 2014, Qinghai Salt Lake's revenue experienced a growth of 22.79% to approximately RMB6,611 million when compared to approximately RMB5,384 million in the corresponding period in 2013. This is contributed by the increase in sales of potassium chloride and chemical products. The profit attributable to shareholders of Qinghai Salt Lake increased by 10.8% from approximately RMB589 million for the nine months ended 30 September 2013 to approximately RMB653 million in the corresponding period of 2014, which was mainly due to revenue growth but partially offset by the increase of distribution expenses and finance cost.

The return on equity attributable to shareholders of Qinghai Salt Lake was approximately 18.14%, 15.85%, 6.41% and 3.83% and the return on total assets was approximately 9.42%, 6.34%, 1.92% and 1.08% for each of the three years ended 31 December 2013 and the nine months ended 30 September 2014 respectively.

By making reference to the information available on the website of International Fertilizer Industry Association (the "**IFIA**"), potassium chloride is the most widely used fertilizer product worldwide, accounting for approximately 70% of all demand for fertilizers. In addition, according to the information on the website of China Inorganic Salts Industry Association, China ranked first on the consumption of potash but the domestic potash production can only satisfy a small portion of domestic demand, leading to the reliance on imports to meet the remaining domestic needs. In addition, according to the "Fertilizer Outlook 2014-2018" published by the IFIA, the global fertilizer demand is forecasted to expand by 2.1%, and demand for potassium fertilizers would continue to grow for 2014/2015, with global demand for potassium is estimated to have an average annual growth rate of 3.0% between 2013 and 2018. The medium-term outlook for agriculture remains favourable overall, positive market fundamentals are expected to boost fertilizer use and demand for potassium fertilizers would expand faster. Furthermore, it is estimated that in the "Short-term Fertilizer Outlook 2014-2015" published by the IFIA, the global potash capacity in 2014 rose 5% while in 2015 global potash capacity is estimated to expand 8% with the main capacity additions in 2014/15 would occur in various countries, among others, China. In view of the short-term and medium-term outlook of the fertilizer market and considering Qinghai Salt Lake's market position in the domestic production of potash in the PRC, we concur with the view of the Directors that the Acquisition will further improve the Group's bargaining power and enhance the Group's position in the potash market in the PRC.

As Sinochem Fertilizer is managing the shares of Qinghai Salt Lake held by Sinochem Corporation under the custody agreement currently, after the Acquisition, Sinochem Fertilizer will be the direct shareholder of these shares of Qinghai Salt Lake and enjoy the rights entitled to a shareholder. We concur with the view of the Directors that the Acquisition can enhance the efficiency of Sinochem Fertilizer's management over Qinghai Salt Lake.

(iv) Reasons for and benefits of the Acquisition

As set out in the Letter from the Board, the Directors consider that the Acquisition can enhance the efficiency of Sinochem Fertilizer's management over Qinghai Salt Lake, maximize the value and use of the distribution network of Sinochem Fertilizer, and further improve its bargaining power and consolidate its leading position in the potassium fertilizer industry of the PRC.

Taking into account (i) the business nature and industry of Qinghai Salt Lake which is the same as that of the Group as well as the prospect of the potassium fertilizer market; (ii) the production capacity of Qinghai Salt Lake; and (iii) the historical financial performance of Qinghai Salt Lake for the three years ended 31 December 2013 and the nine months ended 30 September 2014, we concur with the view of the Directors that the Acquisition is in the ordinary and usual course of business of the Group and is in the interest of the Company and the Shareholders as a whole.

2. Principal terms of the Share Transfer Agreement

(i) Assets to be acquired

238,791,954 shares of Qinghai Salt Lake (the "**Sale Shares**"), representing 15.01% of its total issued share capital as at the date of the Announcement.

(ii) Consideration

The total consideration for the Acquisition is RMB3,890,101,118.75 (equivalent to HK$4,917,087,814.10), representing RMB16.29 per Sale Share.

Pursuant to Article 24 of "Interim measures for the administration of state-owned shareholders' transfer of their shares of listed companies" (《國有股東轉讓所持上市公司股份管理暫行辦法》) promulgated by SASAC on 30 June 2007, the price for the transfer of the shares of listed companies from the state-owned enterprises shall be determined based on the daily volume weighted average closing price for the previous 30 trading days preceding the date of the indicative announcement published by the target company. In case a discount is considered, the transfer price after discount shall not be lower than 90% of the above-mentioned daily volume weighted average closing price. In this case, Qinghai Salt Lake issued an indicative announcement in relation to the Acquisition on 13 October 2014 (the "**Indicative Announcement Date**"). Thus, the consideration of approximately RMB16.29 per Sale Share represents 90% of the 30 trading day average of the daily volume weighted average price of approximately RMB18.10 per share from 20 August 2014 to 8 October 2014 (being the last trading day of the shares of Qinghai Salt Lake preceding the Indicative Announcement Date in relation to the Acquisition).

We understand from the Company that the consideration was arrived at after arm's length negotiations between Sinochem Corporation and the Company based primarily on the pricing mechanism stipulated in the relevant rules and regulations of SASAC governing disposal of listed shares by state-owned enterprises (Sinochem Corporation being a state-owned enterprise) as mentioned above, and a 10% discount has been secured by the Company.

The consideration of approximately RMB16.29 per Sale Share represents:

(i) a discount of approximately 10.00% to the daily volume weighted average closing price of approximately RMB18.10 per Qinghai Salt Lake share for the 30 trading days preceding the Indicative Announcement Date (i.e. from 20 August 2014 to 8 October 2014) ***(Note: the dealing in the shares of Qinghai Salt Lake were suspended during the period from 9 October 2014 to the Indicative Announcement Date)***;

(ii) a discount of approximately 12.93% to the closing price of RMB18.71 per Qinghai Salt Lake share as at the last trading day immediately before the Indicative Announcement Date (i.e. 8 October 2014);

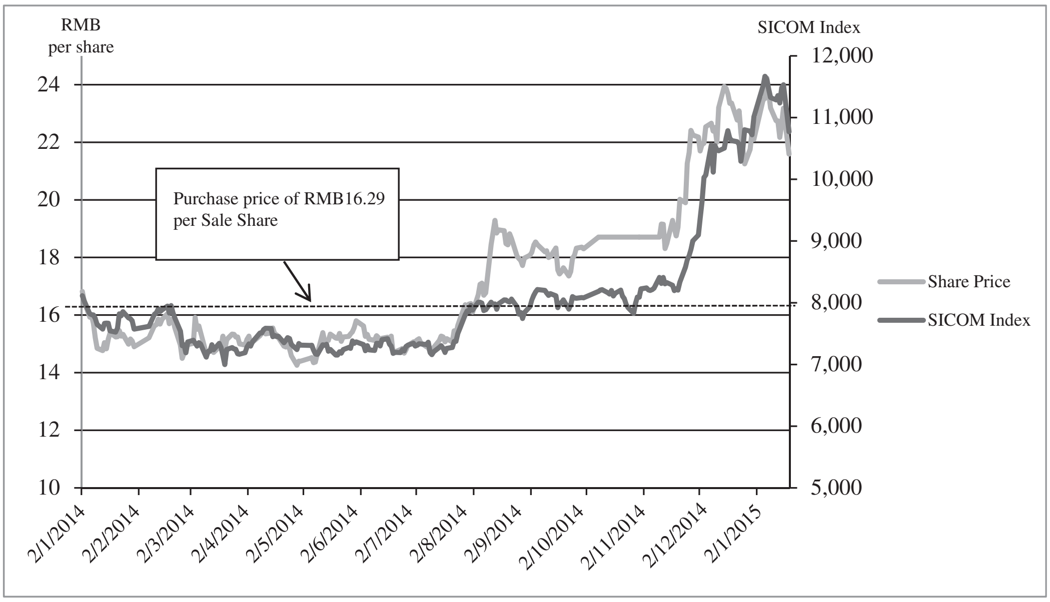
(iii) a discount of approximately 11.23% to the average closing price of approximately RMB18.35 per Qinghai Salt Lake share for the last five trading days immediately before the Indicative Announcement Date;

(iv) a discount of approximately 9.40% to the average closing price of approximately RMB17.98 per Qinghai Salt Lake share for the last 10 trading days immediately before the Indicative Announcement Date;

(v) a discount of approximately 24.55% to the closing price of RMB21.59 per Qinghai Salt Lake share as at the Latest Practicable Date; and

(vi) a premium of approximately 38.52% over the consolidated net asset value of Qinghai Salt Lake of approximately RMB11.76 per share calculated based on the audited accounts prepared in accordance with Hong Kong Financial Reporting Standards as at 30 September 2014.

The chart below illustrates the movement of the closing price for Qinghai Salt Lake shares on the Shenzhen Stock Exchange during the period from 1 January 2014 up to the Latest Practicable Date (the "**Review Period**") relative to the movement of Shenzhen Stock Exchange Component Index ("**SICOM Index**"):



During the Review Period, the highest price and the lowest price of Qinghai Salt Lake share was RMB24.23 per share and RMB14.26 per share on 7 January 2015 and 28 April 2014, respectively. As illustrated by the chart above, the movement of share price of Qinghai Salt Lake shares was in line with the overall market. In addition, the Qinghai Salt Lake shares have been trading at a level above the purchase price of RMB16.29 per Sale Share on the Shenzhen Stock Exchange since early August 2014.

For the purpose of further assessing whether the consideration for the Acquisition is fair and reasonable, we have carried out research into other PRC fertilizers manufacturing companies and considered the basis of their valuation. We have considered the price earnings ratio ("**PER**") and price to book ratio ("**PBR**") of certain listed companies engaged in the fertilizers manufacturing business in the PRC. We have selected nine companies listed in the PRC for our assessment (the "**Comparable Companies**"), which we considered those Comparable Companies represent an exhaustive and representative list based on the selection criteria that they (i) are principally engaged in the fertilizers manufacturing business having their principal markets in the PRC; and (ii) had market capitalization of over RMB5,000 million as at the Indicative Announcement Date (Qinghai Salt Lake's market capitalization was approximately RMB29,758 million as at the Indicative Announcement Date).

Details of the Comparable Companies as at the Indicative Announcement Date (i.e. 13 October 2014) are summarized in the table below:

Comparable Companies	Stock Code	Principal Activities	Market Capitalization *RMB'million*	PER *(Note 1)*	PBR *(Note 2)*
Yunnan Yuntianhua Co. Ltd. (雲南雲天化股份有限公司)	600096	manufactures and markets fertilizers and other chemical products	10,319.8	N/A *(Note 3)*	1.58
Shandong Hualu Hengsheng Chemical Co. Ltd. (山東華魯恒升化工股份有限公司)	600426	manufactures urea, methanol, dimethylformamide, formaldehyde, trimethylamine, and other chemical products	8,639.8	10.9	1.35
Hubei Yihua Chemical Industry Co. Ltd. (湖北宜化化工股份有限公司)	000422	manufactures and sells fertilizers and other chemical products	5,746.3	N/A *(Note 3)*	0.94
North Huajin Chemical Industries Co. Ltd. (北方華錦化學工業股份有限公司)	000059	manufactures and markets fertilizers, including urea, liquid ammonia, and compound fertilizers	9,267.9	N/A *(Note 4)*	1.54
Jiangsu Chengxing Phosph-Chemical Co. Ltd. (江蘇澄星磷化工股份有限公司)	600078	manufactures and markets phosphoric acid, phosphates, and other phosphoric chemicals	5,075.3	481.8 *(Note 5)*	2.87
Luxi Chemical Group Co. Ltd. (魯西化工集團股份有限公司)	000830	manufactures and markets a variety of fertilizers and other chemical products	6,123.1	18.3	1.04
Sichuan Hebang Corporation Limited (四川和邦股份有限公司)	603077	manufactures chemicals, develops salts and phosphates	10,040.2	70.9 *(Note 5)*	1.36
Stanley Fertilizer Co., Ltd. (史丹利化肥股份有限公司)	002588	develops, produces and sells fertilizer products	8,234.1	15.9	2.38

Comparable Companies	Stock Code	Principal Activities	Market Capitalization *RMB'million*	PER *(Note 1)*	PBR *(Note 2)*
Shindoo Chemi-industry Co., Ltd. (成都市新都化工股份有限公司)	002539	produces and sells fertilizer	5,429.1	51.3	2.38
Simple average *(Note 6)*				24.1 *(Note 5)*	1.72
Range – Low				10.9	0.94
– High *(Note 7)*				481.8	2.87
Qinghai Salt Lake at RMB16.29 per Sale Share	000792		25,909.4	24.3	1.39

Source: Bloomberg

Note 1: PER is equal to share price divided by earnings per share as extracted from Bloomberg.

Note 2: PBR is equal to share price divided by book value per share as extracted from Bloomberg.

Note 3: The Comparable Companies recorded a loss for the year ended 31 December 2013 after taking into account non-recurring items (such as the changes in the value of financial assets, loss on disposal of non-current assets).

Note 4: The Comparable Company recorded a loss for the year ended 31 December 2013.

Note 5: The PER of Jiangsu Chengxing Phosph-Chemical Co. Ltd. and Sichuan Hebang Corporation Limited were excluded from the analysis as they recorded a small amount of profit attributable to shareholders for the year ended 31 December 2013 and have a low earning per share, which distorted the analysis.

Note 6: Simple average is calculated based on summation of the relevant amount of all Comparable Companies divided by the number of Comparable Companies.

Note 7: Low represents the lowest index among all Comparable Companies; high represents the highest index among all Comparable Companies.

The PER represented by the Acquisition (based on RMB16.29 per Sale Share) is within the range of present rating of the Comparable Companies and slightly higher than the average of the relevant ratios of the Comparable Companies. The PBR represented by the Acquisition is within range of the ratios and slightly lower than the average of the relevant ratios of other Comparable Companies.

In view of the consideration of the Acquisition (i) was determined based on the pricing formula governed by the regulation of the SASAC; (ii) represents a discount of 10% to the daily volume weighted average closing price of the Sale Shares of Qinghai Salt Lake for the 30 trading days preceding the Indicative Announcement Date; (iii) the PER and PBR represented by the Acquisition (based on RMB16.29 per Sale Share) are within the range of the PER and PBR of most of the Comparable Companies; and (iv) the movement of share price of Qinghai Salt Lake shares was in line with the overall market as illustrated by SICOM Index and the Qinghai Salt Lake shares have been trading at a level above the purchase price of RMB16.29 per Sale Share on the Shenzhen Stock Exchange since early August 2014, we are of the view that the consideration of the Acquisition is fair and reasonable.

(iii) Payment

The consideration for the Acquisition shall be paid by Sinochem Fertilizer to Sinochem Corporation in cash in two instalments as follows:

(a) unless otherwise waived by Sinochem Corporation in accordance with (c) below, within five business days of signing of the Share Transfer Agreement, Sinochem Fertilizer shall pay 30% of the consideration as deposit to Sinochem Corporation in cash;

(b) within ten business days upon satisfaction of the condition of the Acquisition, Sinochem Fertilizer shall pay the remaining 70% of the consideration to Sinochem Corporation in cash; and

(c) where Sinochem Corporation, upon approval by SASAC, waives the deposit payment as described in (a) above, Sinochem Fertilizer shall pay the consideration in full within ten business days upon satisfaction of the condition of the Acquisition.

(iv) Conditions of the Acquisition

Sinochem Fertilizer and Sinochem Corporation will enter into the Share Transfer Agreement after the approval from the Independent Shareholders is obtained at the SGM. The Acquisition is conditional upon obtaining the approval from SASAC and relevant authorities with respect to the Share Transfer Agreement and the Acquisition.

If the condition of the Acquisition is not satisfied by 31 March 2015, either party shall have the right to terminate the Share Transfer Agreement and all moneys paid by Sinochem Fertilizer (if any) to Sinochem Corporation shall be refunded in full to Sinochem Fertilizer.

(v) Completion

Within ten business days after the conditions of the Acquisition is satisfied, Sinochem Corporation shall cooperate with Sinochem Fertilizer to complete the registration of the share transfer with China Securities Depository and Clearing Corporation Limited.

Completion of the Acquisition shall take place on the date when the registration of the share transfer is completed.

Based on the above, we are of the view that the terms of the Share Transfer Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

3. Financial effects of the Proposed Acquisition

(i) Profit and losses

Following completion of the Acquisition, the Group's shareholding in Qinghai Salt Lake will increase from 8.94% to 23.95%, and the financial statements of Qinghai Salt Lake will be equity accounted for in the accounts of the Group. In view of the profitable track record as disclosed in the paragraph headed "Information of Qinghai Salt Lake" above, the Acquisition is expected to have a positive impact on the earnings of the Group.

(ii) Net assets

The net asset of the Group as at 30 June 2014 was approximately RMB13,409 million. Upon completion of the Acquisition, the net assets of the pro forma Group will be RMB13,407 million, which are not expected to have any significant impact on the Group's net asset value as at 30 June 2014.

(iii) Gearing

The gearing ratio of the Group (calculated on the basis of interest-bearing debt divided by total equity) was 35.74% as at 30 June 2014. Since the Company is considering a number of options for financing the Acquisition, including internal cash resources and debt financing, should the Acquisition be financed entirely through draw down of the bank facilities and without utilising existing cash on hand, the interest-bearing borrowings (due after one year balance) will increase by approximately RMB3.89 billion and the pro forma gearing ratio will be 64.76%.

RECOMMENDATION

Taking into consideration of the above factors, we consider that (i) the entering into the Share Transfer Agreement is in the ordinary and usual course of business of the Group; and (ii) the terms contained therein and the Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Share Transfer Agreement and the Acquisition proposed to be contemplated thereunder.

Yours faithfully,
For and on behalf of
Guotai Junan Capital Limited
Anthony Wong
Managing Director

FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 December 2011, 2012 and 2013, and the six months ended 30 June 2014 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.sinofert.com):

- the Annual Report 2011 published on 26 April 2012 (pages 82 to 167);
- the Annual Report 2012 published on 16 April 2013 (pages 84 to 171);
- the Annual Report 2013 published on 17 April 2014 (pages 83 to 167); and
- the Interim Report 2014 published on 2 September 2014 (pages 26 to 48).

INDEBTEDNESS

As at the close of business on 30 November 2014, the Group had total outstanding debts of approximately RMB3,979 million comprising secured bank borrowings of approximately RMB1,479 million and bonds with principal amount of approximately RMB2,500 million. The secured bank borrowings were guaranteed by the Company.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, no member of the Group had outstanding at the close of business on 30 November 2014 any mortgages, charges, debentures or other loan capital or bank overdrafts, loans, debt securities or other similar indebtedness, or any obligations under hire purchase contracts or finance leases payable or any guarantees or other contingent liabilities.

WORKING CAPITAL

Taking into account the Group's cash and cash equivalents on hand, the financial resources available to the Group, and cash generated from future operations, the Directors after due and careful enquiry, are of the view that, in the absence of unforeseeable circumstances, the Group has sufficient working capital for the Group's present requirements, that is, for at least 12 months from the date of this circular.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Potassium is one of the scarce resources in the PRC. Currently, China's annual consumption volume of potash is approximately 10 million tons, of which approximately 50% is sourced from overseas markets. In the meantime, Qinghai Salt Lake is the largest potash production enterprise in the PRC and has an annual production capacity of potash of 3.5 million tons.

Sinochem Fertilizer is a comprehensive fertilizer production and distribution enterprise in the PRC with potash being one of its core businesses. Over the years, Sinochem Fertilizer has been enhancing its strategic partnership with overseas large potash suppliers. In the meantime, Sinochem Fertilizer is furthering its cooperation with Qinghai Salt Lake. The Acquisition will facilitate Sinochem Fertilizer's access to scarce upstream potassium resource and potash production capacity in the PRC, help its strategy implementation and operational coordination of overseas potash importation and domestic potash production, and solidify its market leading position in the PRC.

Besides, the Company's share in Qinghai Salt Lake's profit would contribute to the Company's results and the dividend received from Qinghai Salt Lake would strengthen the Company's cash flow. The Directors are of the view that the Company would benefit from Qinghai Salt Lake's outstanding financial performance and robust growth prospects.

In 2015, the reorganization and consolidation of the fertilizer production and distribution industry will intensify. The Group will continue to promote the production and sale of its fertilizer products, as well as the integration of its products and services, with a view to creating a sustainable business model for the Group.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong
27 January 2015

The Directors
Sinofert Holdings Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Qinghai Salt Lake Industry Co., Ltd., (the "Target Company" or "Qinghai Salt Lake") and its subsidiaries (hereinafter collectively referred to as the "Target Group") comprising the consolidated statements of financial position of the Target Group and the statements of financial position of the Target Company as at 31 December 2011, 2012 and 2013 and 30 September 2014 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Target Group, for each of the years ended 31 December 2011, 2012 and 2013, and the nine months ended 30 September 2014 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the circular dated 27 January 2015 (the "Circular") issued by Sinofert Holdings Limited ("Sinofert" or the "Company") in connection with the proposed acquisition of 15.01% equity interest in Qinghai Salt Lake (the "Acquisition").

The Target Company was established in the People's Republic of China (the "PRC") with limited liabilities on 25 August 1997.

All companies comprising the Target Group have adopted 31 December as their financial year end date. Details of the companies comprising the Target Group that are subject to statutory audits during the Relevant Periods and the names of the respective auditors are set out in Note 32 of Section B. The statutory financial statements of these companies were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC.

The directors of the Target Company have prepared the consolidated financial statements of the Target Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the Relevant Periods were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company for inclusion in the Circular in connection with the Acquisition based on the Underlying Financial Statements, with no adjustments made thereon, and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Target Company, its subsidiaries or the Target Group in respect of any period subsequent to 30 September 2014.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Group and the Target Company as at 31 December 2011, 2012 and 2013 and 30 September 2014 and the Target Group's results and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Target Group comprising the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the nine months ended 30 September 2013, together with the notes thereon (the "Corresponding Financial Information"), for which the directors of the Company are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A FINANCIAL INFORMATION

1 CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Section B Note	Years ended 31 December 2011 *RMB'000*	2012 *RMB'000*	2013 *RMB'000*	Nine months ended 30 September 2013 *RMB'000* *(Unaudited)*	2014 *RMB'000*
Revenue	*4*	6,777,563	8,270,807	8,094,573	5,383,782	6,610,507
Cost of sales		(2,869,076)	(4,260,943)	(5,003,975)	(3,568,270)	(4,233,511)
Gross profit		3,908,487	4,009,864	3,090,598	1,815,512	2,376,996
Other revenue	*5*	692,777	921,762	666,095	531,122	328,495
Other net expense	*5*	(17,449)	(28,807)	(69,385)	(49,157)	(13,581)
Distribution cost		(544,584)	(887,992)	(1,167,403)	(683,533)	(937,718)
Administrative expenses		(548,210)	(432,620)	(457,505)	(277,435)	(342,569)
Profit from operations		3,491,021	3,582,207	2,062,400	1,336,509	1,411,623
Financial costs	*6(a)*	(137,157)	(363,234)	(633,132)	(408,941)	(534,291)
Share of profits less losses of associates		–	802	1,874	1,406	(2,158)
Profit before taxation	*6*	3,353,864	3,219,775	1,431,142	928,974	875,174
Income tax	*7*	(536,252)	(467,848)	(364,999)	(243,606)	(189,546)
Profit and total comprehensive income for the year/period		2,817,612	2,751,927	1,066,143	685,368	685,628
Attributable to:						
Equity shareholders of the Target Company		2,481,131	2,524,262	1,052,207	589,281	652,828
Non-controlling interests		336,481	227,665	13,936	96,087	32,800
Earnings per share	*10*					
Basic *(RMB)*		1.79	1.59	0.66	0.37	0.41
Diluted *(RMB)*		1.79	1.59	0.66	0.37	0.41

The accompanying notes form part of the Financial Information.

2 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Section B Note	Years ended 31 December 2011	2012	2013	At 30 September 2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)
Non-current assets					
Property, plant and equipment	*11*	19,384,565	28,610,579	41,129,719	48,450,678
Investment properties		13,316	15,862	13,349	15,919
Intangible assets	*12*	612,031	600,398	567,613	543,470
Advance payments for acquisition of property, plant and equipment		2,794,065	4,277,757	3,975,785	4,905,016
Goodwill	*13*	21,341	21,341	21,341	21,341
Interest in associates	*14*	–	55,893	57,766	78,339
Available-for-sale investments	*15*	478,125	478,125	478,125	478,125
Deferred tax assets	*25*	119,931	240,624	193,863	175,540
Other long-term assets		2,437	39,661	32,051	26,228
		23,425,811	34,340,240	46,469,612	54,694,656
Current assets					
Inventories	*16*	1,735,184	2,063,614	2,383,798	2,628,020
Trade and bills receivables	*17*	1,975,367	3,656,457	2,388,155	1,107,134
Other receivables and prepayments	*18*	828,649	1,151,733	1,986,857	2,419,769
Pledged bank deposit	*19*	46,651	53,758	7,219	321,000
Cash and cash equivalents	*19*	1,900,040	2,112,249	2,324,215	2,256,261
		6,485,891	9,037,811	9,090,244	8,732,184
Current liabilities					
Trade and bills payables	*20*	2,369,421	3,541,647	5,007,553	5,605,478
Other payables and accrued expenses	*21*	2,125,425	3,000,442	2,208,639	2,588,668
Interest-bearing borrowings due within one year	*22*	2,853,640	3,778,540	3,492,300	4,591,500
Current portion of obligations under finance lease	*24*	26,574	195,502	195,502	195,502
Current tax liabilities		405,782	590,034	313,544	158,612
		7,780,842	11,106,165	11,217,538	13,139,760
Net current liabilities		(1,294,951)	(2,068,354)	(2,127,294)	(4,407,576)
Total assets less current liabilities		22,130,860	32,271,886	44,342,318	50,287,080

The accompanying notes form part of the Financial Information.

2 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Section B Note	**Years ended 31 December 2011** *RMB'000*	**2012** *RMB'000*	**2013** *RMB'000 (Unaudited)*	**At 30 September 2014** *RMB'000*
Non-current liabilities					
Interest-bearing borrowings due after one year	*22*	6,190,305	13,359,363	25,218,291	30,565,827
Deferred income	*23*	265,664	298,729	408,130	404,617
Obligations under finance lease	*24*	438,205	661,949	498,699	364,346
Provisions		38,613	36,000	36,000	36,000
Other non-current liabilities		285,084	227,293	175,761	211,724
		7,217,871	14,583,334	26,336,881	31,582,514
NET ASSETS		14,912,989	17,688,552	18,005,437	18,704,566
CAPITAL AND RESERVES	*26(a)*				
Share capital		1,590,509	1,590,509	1,590,509	1,590,509
Reserves		12,085,650	14,339,770	14,819,950	15,451,538
Total equity attributable to equity shareholders of the Target Company		13,676,159	15,930,279	16,410,459	17,042,047
Non-controlling interests		1,236,830	1,758,273	1,594,978	1,662,519
TOTAL EQUITY		14,912,989	17,688,552	18,005,437	18,704,566

The accompanying notes form part of the Financial Information.

3 STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

	Section B Note	Years ended 31 December 2011	2012	2013	At 30 September 2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)
Non-current assets					
Property, plant and equipment	*11*	11,571,637	12,196,969	13,698,069	14,706,230
Investment properties		5,703	5,291	4,878	4,569
Intangible assets	*12*	548,966	522,350	496,633	477,843
Advance payments for acquisition of property, plant and equipment		389,217	732,746	453,198	525,307
Investment in subsidiaries	*32*	2,727,815	4,563,915	7,511,907	11,221,512
Interest in associates		–	–	–	6,431
Available-for-sale investments	*15*	403,000	403,000	403,000	403,000
Deferred tax assets	*25*	56,720	87,165	87,117	91,921
		15,703,058	18,511,436	22,654,802	27,436,813
Current assets					
Inventories	*16*	875,324	1,024,482	1,059,051	1,002,451
Trade and bills receivables	*17*	1,938,228	3,512,546	2,063,194	819,912
Other receivables and prepayments	*18*	3,864,657	9,248,961	15,958,176	19,339,214
Pledged bank deposit	*19*	–	–	–	200,000
Cash and cash equivalents	*19*	1,216,298	1,037,675	1,437,618	1,458,976
		7,894,507	14,823,664	20,518,039	22,820,553
Current liabilities					
Trade and bills payables	*20*	1,251,379	1,194,973	1,372,361	1,335,282
Other payables and accrued expenses	*21*	1,767,445	2,269,449	1,522,333	1,629,242
Interest-bearing borrowings due within one year	*22*	2,304,640	2,972,540	2,623,300	4,021,000
Current portion of obligations under finance lease		–	106,184	106,184	106,184
Current tax liabilities		320,265	475,852	258,561	141,061
		5,643,729	7,018,998	5,882,739	7,232,769
Net current assets		2,250,778	7,804,666	14,635,300	15,587,784
Total assets less current liabilities		17,953,836	26,316,102	37,290,102	43,024,597

The accompanying notes form part of the Financial Information.

3 STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY (CONTINUED)

	Section B Note	Years ended 31 December 2011 *RMB'000*	2012 *RMB'000*	2013 *RMB'000* *(Unaudited)*	At 30 September 2014 *RMB'000*
Non-current liabilities					
Interest-bearing borrowings due after one year	*22*	4,432,305	10,310,363	20,490,291	25,522,827
Deferred income	*23*	176,434	59,000	74,000	74,100
Obligations under finance lease		–	299,675	212,986	150,157
Other non-current liabilities		223,950	166,583	115,051	87,798
		4,832,689	10,835,621	20,892,328	25,834,882
NET ASSETS		13,121,147	15,480,481	16,397,774	17,189,715
CAPITAL AND RESERVES	*26(a)*				
Share capital		1,590,509	1,590,509	1,590,509	1,590,509
Reserves		11,530,638	13,889,972	14,807,265	15,599,206
TOTAL EQUITY		13,121,147	15,480,481	16,397,774	17,189,715

The accompanying notes form part of the Financial Information.

4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Target Company							
	Share capital	**Capital reserve**	**Statutory reserve**	**Other reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000 (Note 26(d))*	*RMB'000 (Note 26(d))*	*RMB'000 (Note 26(d))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance 1 January 2011	767,550	6,759,155	600,256	294,795	2,803,751	11,225,507	887,303	12,112,810
Profit and total comprehensive income for the year	–	–	–	–	2,481,131	2,481,131	336,481	2,817,612
Maintenance and production fund	–	–	–	(9,137)	–	(9,137)	–	(9,137)
Distributions to non-controlling interests	–	–	–	–	–	–	(128,563)	(128,563)
Transfer between reserves	–	–	414,855	–	(414,855)	–	–	–
Capital increased through capital reserve	822,959	(822,959)	–	–	–	–	–	–
Paid-in capital contributed by non-controlling interests	–	–	–	–	–	–	143,646	143,646
Acquisition of non-controlling interests	–	(21,342)	–	–	–	(21,342)	(2,037)	(23,379)
Balance at 31 December 2011 and 1 January 2012	1,590,509	5,914,854	1,015,111	285,658	4,870,027	13,676,159	1,236,830	14,912,989
Profit and total comprehensive income for the year	–	–	–	–	2,524,262	2,524,262	227,665	2,751,927
Maintenance and production fund	–	–	–	(66,650)	–	(66,650)	–	(66,650)
Dividends approved in respect of the previous year	–	–	–	–	(254,481)	(254,481)	–	(254,481)
Distributions to non-controlling interests	–	–	–	–	–	–	(109,918)	(109,918)
Transfer between reserves	–	–	268,143	–	(268,143)	–	–	–
Paid-in capital contributed by non-controlling interests	–	50,989	–	–	–	50,989	403,696	454,685
Balance at 31 December 2012 and 1 January 2013	1,590,509	5,965,843	1,283,254	219,008	6,871,665	15,930,279	1,758,273	17,688,552

The accompanying notes form part of the Financial Information.

4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity shareholders of the Target Company						Non-	
	Share capital	Capital reserve	Statutory reserve	Other reserve	Retained profits	Total	controlling interests	Total equity
	RMB'000	*RMB'000* *(Note 26(d))*	*RMB'000* *(Note 26(d))*	*RMB'000* *(Note 26(d))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 31 December 2012 and 1 January 2013	1,590,509	5,965,843	1,283,254	219,008	6,871,665	15,930,279	1,758,273	17,688,552
Profit and total comprehensive income for the year	–	–	–	–	1,052,207	1,052,207	13,936	1,066,143
Maintenance and production fund	–	–	–	6,678	–	6,678	–	6,678
Dividends approved in respect of the previous year	–	–	–	–	(508,963)	(508,963)	–	(508,963)
Distributions to non-controlling interests	–	–	–	–	–	–	(159,221)	(159,221)
Transfer between reserves	–	–	142,531	–	(142,531)	–	–	–
Acquisition of non-controlling interests	–	(52,355)	–	–	(17,387)	(69,742)	(18,010)	(87,752)
Balance at 31 December 2013 and 1 January 2014	1,590,509	5,913,488	1,425,785	225,686	7,254,991	16,410,459	1,594,978	18,005,437
Balance at 31 December 2013 and 1 January 2014	1,590,509	5,913,488	1,425,785	225,686	7,254,991	16,410,459	1,594,978	18,005,437
Profit and total comprehensive income for the period	–	–	–	–	652,828	652,828	32,800	685,628
Maintenance and production fund	–	–	–	85,675	–	85,675	–	85,675
Dividends approved in respect of the previous years	–	–	–	–	(106,564)	(106,564)	–	(106,564)
Distributions to non-controlling interests	–	–	–	–	–	–	(31,355)	(31,355)
Paid-in capital contributed by non-controlling interests	–	(351)	–	–	–	(351)	66,096	65,745
Balance at 30 September 2014	1,590,509	5,913,137	1,425,785	311,361	7,801,255	17,042,047	1,662,519	18,704,566

The accompanying notes form part of the Financial Information.

4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity shareholders of the Target Company							
	Share capital *RMB'000*	**Capital reserve** *RMB'000 (Note 26(d))*	**Statutory reserve** *RMB'000 (Note 26(d))*	**Other reserve** *RMB'000 (Note 26(d))*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Unaudited:								
Balance at 31 December 2012 and 1 January 2013	1,590,509	5,965,843	1,283,254	219,008	6,871,665	15,930,279	1,758,273	17,688,552
Profit and total comprehensive income for the period (Unaudited)	–	–	–	–	589,281	589,281	96,087	685,368
Maintenance and production fund (Unaudited)	–	–	–	(17,766)	–	(17,766)	–	(17,766)
Dividends approved in respect of the previous year (Unaudited)	–	–	–	–	(508,963)	(508,963)	–	(508,963)
Distributions to non-controlling interests (Unaudited)	–	–	–	–	–	–	(104,730)	(104,730)
Acquisition of non-controlling interests (Unaudited)	–	(52,228)	–	–	(17,514)	(69,742)	(18,010)	(87,752)
Balance at 30 September 2013 (Unaudited)	1,590,509	5,913,615	1,283,254	201,242	6,934,469	15,923,089	1,731,620	17,654,709

The accompanying notes form part of the Financial Information.

5 CONSOLIDATED CASH FLOW STATEMENTS

	Section B Note	Years ended 31 December 2011 RMB'000	2012 RMB'000	2013 RMB'000	Nine months ended 30 September 2013 RMB'000 (Unaudited)	2014 RMB'000
Operating activities						
Cash generated from operations	*19(b)*	3,426,490	2,762,161	3,481,867	1,897,157	3,111,256
Income tax paid		(556,532)	(404,289)	(594,728)	(335,820)	(326,155)
Net cash generated from operating activities		2,869,958	2,357,872	2,887,139	1,561,337	2,785,101
Investing activities						
Payment for acquisition of property and equipment		(6,546,732)	(9,632,706)	(12,071,177)	(7,753,979)	(7,504,396)
Payment for acquisition of intangible assets		(70,611)	(22,108)	(1,473)	(672)	(531)
Payment for acquisition of other long-term assets		(1,510)	(45,808)	(361)	–	–
Payment for acquisition of associates		–	(55,091)	–	–	(46,680)
Payment for available-for-sale investments		(383,000)	–	–	–	–
Interest income		42,258	17,466	17,343	12,664	13,637
Proceeds from dividends from available-for-sale investments		–	10,000	12,000	12,000	12,000
Proceeds received from disposal of property and equipment, investment properties and intangible assets		27,972	7,809	21,988	5,013	2,869
Net cash used in investing activities		(6,931,623)	(9,720,438)	(12,021,680)	(7,724,974)	(7,523,101)

The accompanying notes form part of the Financial Information.

5 CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

	Section B Note	Years ended 31 December			Nine months ended 30 September	
		2011	2012	2013	2013	2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Financing activities						
Interest paid		(408,775)	(928,160)	(1,320,905)	(961,280)	(1,585,552)
Payment for acquisition of non-controlling interests		(23,379)	–	(87,752)	(87,752)	–
Proceeds from loans and borrowings		4,265,633	11,040,098	10,803,655	6,963,655	9,485,982
Proceeds from bonds		–	–	4,969,456	4,969,456	–
Repayment of loans and borrowings		(930,000)	(2,946,140)	(4,203,540)	(3,545,195)	(3,041,500)
Dividends paid		(128,563)	(364,399)	(668,184)	(613,693)	(137,919)
Capital injection from non-controlling interests		143,646	454,685	–	–	65,745
Payment for financial lease obligations		(135,418)	(181,309)	(146,223)	(76,269)	(116,710)
Proceeds from borrowings for financial lease obligations		300,000	500,000	–	–	–
Net cash generated from financing activities		3,083,144	7,574,775	9,346,507	6,648,922	4,670,046
Net (decrease)/ increase in cash and cash equivalent		(978,521)	212,209	211,966	485,285	(67,954)
Cash and cash equivalents at 1 January		2,878,561	1,900,040	2,112,249	2,112,249	2,324,215
Cash and cash equivalents at 31 December/ 30 September	*19*	1,900,040	2,112,249	2,324,215	2,597,534	2,256,261

The accompanying notes form part of the Financial Information.

B NOTES TO THE FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL

The Target Company is a public limited company established in the PRC on 25 August 1997. The Company's A shares are listed on the Shenzhen Stock Exchange. Its registered office is located at Chaerhan, Geermu City, Qinghai Province, the PRC.

The Target Company and its subsidiaries are principally engaged in manufacture and sales of potash and chemical products for industrial use.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Target Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are effective for the accounting periods beginning after 1 January 2014. The revised and new accounting standards and interpretations issued but not yet effective for the accounting periods beginning after 1 January 2014 are set out in Note 31.

The Financial Information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the nine months ended 30 September 2013 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of presentation

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the Target Company and its subsidiaries. The measurement basis used in the preparation of the Financial Information is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investment property (see Note 2(g)); and

– financial instruments classified as available-for-sale securities (see Note 2(f)).

The Financial Information have been prepared on the basis that the Target Group will continue to operate throughout the next twelve months as a going concern. The Target Group's current liabilities exceeded its current assets by RMB1,294,951,000, RMB2,068,354,000, RMB2,127,294,000 and RMB4,407,576,000 respectively, as at 31 December 2011, 2012 and 2013, and 30 September 2014. Based on future projections of the Target Group's profits and cash inflows from operations and the ability of the Target Group to obtain continued bank financing to finance its continuing operation, the Target Company's directors have prepared the financial statements on a going concern basis.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of presentation (continued)

The preparation of the Financial Information 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 recognised 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 Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Target Group. The Target 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 Target Group has power, only substantive rights (held by the Target Group and other parties) are considered.

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Target Company, and in respect of which the Target Group has not agreed any additional terms with the holders of those interests which would result in the Target 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 Target Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Target Company. Non-controlling interests in the results of the Target Group are presented on the face of the consolidated statements 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 Target Company.

Changes in the Target 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 recognised.

When the Target 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 recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2(d)).

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Associates

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

An investment in an associate is accounted for in the Financial Information 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 Target 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 Target Group's share of the investee's net assets and any impairment loss relating to the investment (see Notes 2(e) and (k)). Any acquisition-date excess over cost, the Target Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss in the consolidated statement of profit or loss and other comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

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

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

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

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

(e) 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 Target 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 recognised 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(k)).

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Other investments in debt and equity securities

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

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

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

Dated debt securities that the Target Group and/or the Target Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses.

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 Relevant Periods the fair value is remeasured, with any resultant gain or loss being recognised 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 recognised in the statement of financial position at cost less impairment losses. Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in Notes 2(t)(iii) and (iv), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see Note 2(k)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Target Group commits to purchase/sell the investments or they expire.

(g) Investment properties

Investment properties are buildings or plants which are owned or held under a leasehold interest 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 recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 2(t)(ii).

(h) Property, plant and equipment

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

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(u)).

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 recognised in profit or loss on the date of retirement or disposal.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment (continued)

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

Category	Years of depreciation
Plants and buildings	10-40 years
Equipment	15 years
Motor vehicles and others	5-10 years

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

(i) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Target Group and the Target Company are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(k)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Category	Years of amortisation
Mining rights	30 years
Patents	10 years
Others	10 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Target Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Target Group

Assets that are held by the Target Group under leases which transfer to the Target Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Target Group are classified as operating leases.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leased assets (continued)

(ii) Assets acquired under finance leases

Where the Target Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Target Group will obtain ownership of the asset, the life of the asset, as set out in Note 2(h). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(k). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Target Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(k) Impairment of assets

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

Investments in debt and equity securities and current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each statement of financial position date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Target 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 reorganisation;

– 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 recognised as follows:

– For investments in associates accounted for under the equity method in the Financial Information (see Note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(k)(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(k)(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 are not reversed.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

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

– For trade and other current receivables and other financial assets carried at amortised 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 recognised, 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 recognised in prior years.

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

  Impairment losses recognised 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 recognised in other comprehensive income.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, 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 Target Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against loans and receivables 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. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each statement of financial position date to identify indications that property and equipment may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

– property, plant and equipment;

– intangible assets

– goodwill; and

– investment in associates.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell 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 recognised 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 recognised 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).

– *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 recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 2(k)), 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Interest-bearing borrowings

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

(o) Trade and other payables

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

(p) 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 Target Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(q) Employee benefits

Short-term benefits

Salaries, wages, bonuses and other benefits and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

(r) 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 recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised 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 each of the Relevant Periods, 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 and unused tax credits.

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 utilised, are recognised. 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 utilised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax (continued)

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 Target Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation 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 utilised. 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 Target Company or the Target 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 Target Company or the Target Group intends either to settle on a net basis, or to realise 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 realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Target Group or the Target Company 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.

(t) 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 Target Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenue recognition (continued)

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised 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 recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Dividend

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

(iv) Interest income

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

(v) Government grants

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

(u) 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 capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation 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. Capitalisation 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.

(v) Related parties

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

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

(ii) has significant influence over the Target Group; or

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Related parties (continued)

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

(i) The entity and the Target 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 Target Group.

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

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

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.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Target Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Target 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 JUDGEMENT AND ESTIMATES

The key sources of estimation uncertainty and critical accounting judgements in applying the Target Company's accounting policies are described below.

Impairment of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of distributing and selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles or other changes in market condition. The Target Group will reassess the estimations at each statement of financial position date.

Impairment of trade and other receivables

Impairment losses for trade and other receivables are assessed and provided based on the Target Group's regular review of aging analysis and evaluation of collectibles. In considering the impairment losses that may be required for current receivables, future cash flows need to be determined. One of the key assumptions that has to be adopted is about the ability of the debtors to settle the receivables. Even though the Target Group has used all available information to make this estimation, inherent uncertainty exists and actual un-collectable amounts may be higher than the amount estimated.

3 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

Impairment of property, plant and equipment

In considering the impairment losses that may be required for the Target Group's property, plant and equipment and construction in progress, the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate the net selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present values, which require significant judgement relating to items such as the level of sales volume, selling price and amount of operating costs. The Target Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling prices and amount of operating costs.

4 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Target Group are manufacturing and sales of potash and chemical products for industrial use.

	Years ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Sale of potash and related products	5,890,191	7,129,801	6,332,628	4,198,537	4,805,027
Sale of chemical products	451,450	749,652	1,337,078	868,988	1,385,570
Others	435,922	391,354	424,867	316,257	419,910
	6,777,563	8,270,807	8,094,573	5,383,782	6,610,507

(b) Segment reporting

The Target Group manages its business by products. In a manner consistent with the way in which information is reported internally to the Target Group's most senior executive management for the purposes of resource allocation and performance assessment, the Target Group has presented the following reportable segments.

- Potash – this segment manufactures and sells products of potash and related products.

- Chemical products and others – this segment mainly manufactures and sells kinds of chemical products such as PVC, cement, potassium hydroxide and potassium carbonate and other business.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Target Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets, investments in financial assets and other corporate assets. Segment liabilities include trade and bills payable and other payables and accrued expenses and bank loans and other borrowings managed directly by the segments.

4 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted profit before taxation". To arrive at adjusted profit before taxation, the Target Group's profits are further adjusted for items not specifically attributed to an individual reportable segment, such as share of profits less losses of an associate, directors' remuneration, auditors' remuneration, finance costs in relation to the unallocated bank loans and other head office or corporate administration expenses.

In addition to receiving segment information concerning adjusted profit before taxation, management is provided with segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

4 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

Information regarding the Target Group's reportable segments as provided to the Target Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the Relevant Periods is set out below.

	Year ended 31 December									Nine months ended 30 September		
	2011			2012			2013			2014		
	Potash	Chemical products and others	Total	Potash	Chemical products and others	Total	Potash	Chemical products and others	Total	Potash	Chemical products and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	5,890,191	887,372	6,777,563	7,129,801	1,141,006	8,270,807	6,332,628	1,761,945	8,094,573	4,805,027	1,805,480	6,610,507
Inter-segment revenue	856	128,382	129,238	5,899	234,376	240,275	–	216,886	216,886	–	115,069	115,069
Reportable segment revenue	5,891,047	1,015,754	6,906,801	7,135,700	1,375,382	8,511,082	6,332,628	1,978,831	8,311,459	4,805,027	1,920,549	6,725,576
Reportable segment profit/(losses) (adjusted profit/(losses) before taxation)	3,592,761	(84,291)	3,508,470	4,588,771	(978,779)	3,609,992	3,078,811	(930,381)	2,148,430	2,109,035	(681,738)	1,427,297
Interest income	34,856	7,402	42,258	6,358	11,108	17,466	9,318	8,025	17,343	6,403	7,234	13,637
Interest expenses	99,229	37,928	137,157	138,408	224,826	363,234	213,176	419,956	633,132	195,587	338,704	534,291
Depreciation and amortisation for the year/period	212,309	197,963	410,272	240,107	292,966	533,073	253,097	495,074	748,171	214,584	426,161	640,745
Impairment of plant and machinery	1,615	–	1,615	–	–	–	29,874	1,486	31,360	–	–	–
Reportable segment assets	21,782,928	21,694,312	43,477,240	29,412,703	32,082,454	61,495,157	35,694,851	44,840,139	80,534,990	39,647,540	53,055,573	92,703,113
Additions to non-current segment assets during the year/period	954,718	4,309,095	5,263,813	1,082,912	8,658,058	9,740,970	1,095,665	12,180,315	13,275,980	888,774	7,043,926	7,932,700
Reportable segment liabilities	9,386,955	19,369,570	28,756,525	16,937,440	27,053,773	43,991,213	25,390,943	37,554,820	62,945,763	30,863,137	43,708,802	74,571,939

4 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

	Nine months ended 30 September 2013 (Unaudited)		
	Potash	**Chemical products and others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from external customers	4,198,537	1,185,245	5,383,782
Inter-segment revenue	–	115,338	115,338
Reportable segment revenue	4,198,537	1,300,583	5,499,120
Reportable segment profit/(losses) (adjusted profit/(losses) before taxation)	2,136,597	(748,573)	1,388,024
Interest income	3,559	9,105	12,664
Interest expense	141,463	267,478	408,941
Depreciation and amortisation for the period	192,488	284,043	476,531
Impairment of plant and machinery	29,874	1,486	31,360

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Years ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue					
Reportable segment revenue	6,906,801	8,511,082	8,311,459	5,499,120	6,725,576
Elimination of inter-segment revenue	(129,238)	(240,275)	(216,886)	(115,338)	(115,069)
Consolidated turnover	6,777,563	8,270,807	8,094,573	5,383,782	6,610,507
Profit					
Reportable segment profit	3,508,470	3,609,992	2,148,430	1,388,024	1,427,297
Elimination of inter-segment profits	–	1,022	(16,645)	(2,358)	(2,093)
Reportable segment profit derived from the Target Group's external customers	3,508,470	3,611,014	2,131,785	1,385,666	1,425,204
Share of profits less losses of associates	–	802	1,874	1,406	(2,158)
Other net expense	(17,449)	(28,807)	(69,385)	(49,157)	(13,581)
Finance costs	(137,157)	(363,234)	(633,132)	(408,941)	(534,291)
Consolidated profit before taxation	3,353,864	3,219,775	1,431,142	928,974	875,174

4 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (continued)

	At 31 December			At 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Reportable segment assets	43,477,240	61,495,157	80,534,990	92,703,113
Elimination of inter-segment receivables	(14,163,594)	(18,891,748)	(25,704,888)	(30,008,277)
Consolidated subtotal assets	29,313,646	42,603,409	54,830,102	62,694,836
Interests in associates	–	55,893	57,766	78,339
Available-for-sale investments	478,125	478,125	478,125	478,125
Deferred tax assets	119,931	240,624	193,863	175,540
Consolidated total assets	29,911,702	43,378,051	55,559,856	63,426,840
Liabilities				
Reportable segment liabilities	28,756,525	43,991,213	62,945,763	74,571,939
Elimination of inter-segment payables	(14,163,594)	(18,891,748)	(25,704,888)	(30,008,277)
Consolidated subtotal liabilities	14,592,931	25,099,465	37,240,875	44,563,662
Current tax liabilities	405,782	590,034	313,544	158,612
Consolidated total liabilities	14,998,713	25,689,499	37,554,419	44,722,274

5 OTHER REVENUE AND OTHER NET EXPENSE

	Years ended 31 December			Nine months ended 30 September	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Other revenue					
Dividend income from available-for-sale investments	–	10,000	12,000	12,000	12,000
Interest income	42,258	17,466	17,343	12,664	13,637
Government grants	640,882	703,258	606,319	487,462	290,844
Amortisation of deferred income	400	173,475	10,434	7,771	4,731
Net gain on sale of property, plant and equipment	1,089	5,709	3,973	94	1,907
Others	8,148	11,854	16,026	11,131	5,376
	692,777	921,762	666,095	531,122	328,495

	Note	Years ended 31 December			Nine months ended 30 September	
		2011	2012	2013	2013	2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Other net expense						
Bad debts of trade and other receivables		4,031	7,166	12,127	458	8,053
Impairment losses of property, plant and equipment	*11*	1,615	–	31,360	29,874	–
Donation		2,702	3,983	3,951	952	2,365
Bank charges		2,272	3,837	3,346	1,913	1,351
Others		6,829	13,821	18,601	15,960	1,812
		17,449	28,807	69,385	49,157	13,581

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Financial costs

	Years ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Interest expense on loans and borrowings	408,775	928,160	1,534,125	1,078,166	1,527,056
Less: Interest expense capitalised*	(324,166)	(638,907)	(979,017)	(717,379)	(1,042,830)
	84,609	289,253	555,108	360,787	484,226
Finance charges on obligations under financial lease	52,548	73,981	78,024	48,154	50,065
	137,157	363,234	633,132	408,941	534,291

* The borrowing costs have been capitalised at rates of 6.62%, 6.69%, 6.59%, 6.52% (Unaudited) and 6.56% per annum for the years ended 31 December 2011, 2012 and 2013, and the nine months ended 30 September 2013 and 2014, respectively.

(b) Staff costs

	Years ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Salaries, wages and other benefits	911,627	1,284,267	1,640,217	936,884	1,181,776

6 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	Years ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Amortisation					
– land lease premium (*note 11*)	3,011	5,433	5,032	3,768	3,929
– intangible assets (*note 12*)	35,644	33,741	32,758	25,239	24,193
– other long-term assets	1,009	8,584	7,971	5,957	5,823
	39,664	47,758	45,761	34,964	33,945
Depreciation (*note 11*)	370,608	485,315	702,410	441,567	606,800
Impairment losses					
– Property, plant and equipment (*note 11*)	1,615	–	31,360	29,874	–
– trade receivables	792	1,826	3,377	916	7,510
– other receivables	6,662	7,725	10,171	963	3,777
– inventory	54,008	145,766	551,555	350,283	504,747
	63,077	155,317	596,463	382,036	516,034
Operating lease charges	7,355	4,459	5,962	903	2,466
Auditors' remuneration	660	850	1,245	–	–
Cost of inventories	2,374,078	3,690,705	4,404,281	3,016,357	3,676,613

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

		Years ended 31 December			Nine months ended 30 September	
	Note	**2011**	**2012**	**2013**	**2013**	**2014**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Provision for the year/period		512,176	588,983	321,778	219,308	171,326
Over-provision in respect of prior years		(5,804)	(442)	(3,540)	(3,540)	(103)
Deferred tax	*25(a)*	29,880	(120,693)	46,761	27,838	18,323
		536,252	467,848	364,999	243,606	189,546

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

	Years ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Profit before taxation	3,353,864	3,219,775	1,431,142	928,974	875,174
Tax calculated at the applicable tax rate of 25%	838,466	804,944	357,786	232,244	218,793
Effect of different income tax rates	(331,172)	(360,686)	(193,830)	(129,158)	(116,416)
Tax effect of non-deductible expenses	42,229	18,399	42,234	26,331	15,917
Tax effect of non-taxable income	(8,928)	(3,867)	(4,628)	(4,171)	(3,501)
Tax effect of share of profits less losses of associates	–	(200)	(468)	(351)	539
Effect of prior year's tax losses and deductible temporary difference utilised during the year/period	(5,491)	(5,037)	(550)	(564)	(612)
Effect of tax losses and deductible temporary difference not recognised	6,952	11,839	111,251	69,139	74,929
Tax effect of write-down of deferred tax assets recognised in prior years	–	2,898	56,744	53,676	–
Over-provision in respect of prior years	(5,804)	(442)	(3,540)	(3,540)	(103)
Income tax expense for the year/period	536,252	467,848	364,999	243,606	189,546

Note: The provision for the PRC Enterprise Income Tax of the Target Group 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 Target Group which enjoy a preferential tax rate according to related tax policies.

8 DIRECTORS' REMUNERATION

The directors believe the presentation of such information is not meaningful for the purpose of this report.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The directors believe the presentation of the five highest paid employees information is not meaningful for the purpose of this report.

10 EARNINGS PER SHARE

	Years ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Earnings					
Earnings for the purpose of basic/diluted earnings per share	2,481,131	2,524,262	1,052,207	589,281	652,828

	Years ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
	'000 shares	*'000 shares*	*'000 shares*	*'000 shares* *(Unaudited)*	*'000 shares*
Number of shares					
Weighted average number of ordinary shares for the purpose of basic/diluted earnings per share	1,384,769	1,590,509	1,590,509	1,590,509	1,590,509

11 PROPERTY, PLANT AND EQUIPMENT

The Target Group

	Plants and buildings *RMB'000*	Equipment *RMB'000*	Motor vehicles and others *RMB'000*	Construction in progress *RMB'000*	Sub-total *RMB'000*	Interests in Leasehold land held for own use under operating lease *RMB'000*	Total property, plant and equipment *RMB'000*
Cost:							
At 1 January 2011	2,512,630	1,950,157	772,728	11,405,114	16,640,629	134,762	16,775,391
Additions	21,511	93,858	70,962	4,916,261	5,102,592	43,687	5,146,279
Transfers from construction in progress	1,840,232	1,563,136	284,170	(3,687,538)	–	–	–
Disposals	(9,328)	(20,192)	(9,493)	(10,911)	(49,924)	–	(49,924)
At 31 December 2011 and 1 January 2012	4,365,045	3,586,959	1,118,367	12,622,926	21,693,297	178,449	21,871,746
Additions	31,930	95,746	59,857	9,487,146	9,674,679	44,183	9,718,862
Transfers from construction in progress	1,180,417	1,304,684	176,945	(2,662,046)	–	–	–
Disposals	(3,467)	(2,835)	(20,969)	–	(27,271)	–	(27,271)
At 31 December 2012 and 1 January 2013	5,573,925	4,984,554	1,334,200	19,448,026	31,340,705	222,632	31,563,337
Additions	6,236	28,998	49,949	13,187,105	13,272,288	2,219	13,274,507
Transfers from construction in progress	2,061,919	1,657,540	125,373	(3,844,832)	–	–	–
Disposals	(10,248)	(36,332)	(9,170)	–	(55,750)	(2,246)	(57,996)
At 31 December 2013 and 1 January 2014	7,631,832	6,634,760	1,500,352	28,790,299	44,557,243	222,605	44,779,848
Additions	11,842	54,394	42,483	7,822,002	7,930,721	1,448	7,932,169
Transfers from construction in progress	50,230	–	–	(50,230)	–	–	–
Disposals	(5,257)	(288)	(516)	–	(6,061)	–	(6,061)
At 30 September 2014	7,688,647	6,688,866	1,542,319	36,562,071	52,481,903	224,053	52,705,956

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Target Group

	Plants and buildings *RMB'000*	Equipment *RMB'000*	Motor vehicles and others *RMB'000*	Construction in progress *RMB'000*	Sub-total *RMB'000*	Interests in Leasehold land held for own use under operating lease *RMB'000*	Total property, plant and equipment *RMB'000*
Accumulated amortisation and depreciation							
At 1 January 2011	(834,746)	(936,060)	(351,206)	(10,911)	(2,132,923)	(12,326)	(2,145,249)
Charge for the year	(117,550)	(136,830)	(116,228)	–	(370,608)	(3,011)	(373,619)
Impairment loss for the year	(1,469)	(104)	(42)	–	(1,615)	–	(1,615)
Written back on disposals	6,993	11,474	3,924	10,911	33,302	–	33,302
At 31 December 2011 and 1 January 2012	(946,772)	(1,061,520)	(463,552)	–	(2,471,844)	(15,337)	(2,487,181)
Charge for the year	(150,108)	(237,512)	(97,695)	–	(485,315)	(5,433)	(490,748)
Written back on disposals	3,344	2,762	19,065	–	25,171	–	25,171
At 31 December 2012 and 1 January 2013	(1,093,536)	(1,296,270)	(542,182)	–	(2,931,988)	(20,770)	(2,952,758)
Charge for the year	(213,871)	(343,442)	(145,097)	–	(702,410)	(5,032)	(707,442)
Impairment loss for the year	–	–	–	(31,360)	(31,360)	–	(31,360)
Written back on disposals	8,732	26,175	6,178	–	41,085	346	41,431
At 31 December 2013 and 1 January 2014	(1,298,675)	(1,613,537)	(681,101)	(31,360)	(3,624,673)	(25,456)	(3,650,129)
Charge for the period	(190,578)	(310,569)	(105,653)	–	(606,800)	(3,929)	(610,729)
Written back on disposals	4,904	194	482	–	5,580	–	5,580
At 30 September 2014	(1,484,349)	(1,923,912)	(786,272)	(31,360)	(4,225,893)	(29,385)	(4,255,278)
Net book value:							
At 31 December 2011	3,418,273	2,525,439	654,815	12,622,926	19,221,453	163,112	19,384,565
At 31 December 2012	4,480,389	3,688,284	792,018	19,448,026	28,408,717	201,862	28,610,579
At 31 December 2013	6,333,157	5,021,223	819,251	28,758,939	40,932,570	197,149	41,129,719
At 30 September 2014	6,204,298	4,764,954	756,047	36,530,711	48,256,010	194,668	48,450,678

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Target Company

	Plants and buildings	Equipment	Motor vehicles and others	Construction in progress	Sub-total	Interests in Leasehold land held for own use under operating lease	Total property, plant and equipment
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2011	1,971,135	1,446,831	563,853	7,383,176	11,364,995	28,080	11,393,075
Additions	11,754	60,331	34,945	2,020,135	2,127,165	–	2,127,165
Transfers from construction in progress	1,421,998	900,103	214,864	(2,536,965)	–	–	–
Disposals	–	–	(3,415)	–	(3,415)	–	(3,415)
At 31 December 2011 and 1 January 2012	3,404,887	2,407,265	810,247	6,866,346	13,488,745	28,080	13,516,825
Additions	17,255	61,922	39,144	841,813	960,134	–	960,134
Transfers from construction in progress	260,612	1,015,012	61,030	(1,336,654)	–	–	–
Disposals	–	–	(8,511)	–	(8,511)	–	(8,511)
Transfer to subsidiaries	–	–	–	–	–	(10,470)	(10,470)
At 31 December 2012 and 1 January 2013	3,682,754	3,484,199	901,910	6,371,505	14,440,368	17,610	14,457,978
Additions	12,336	10,342	10,735	1,889,847	1,923,260	–	1,923,260
Transfers from construction in progress	1,059,157	778,994	255,899	(2,094,050)	–	–	–
Disposals	–	(790)	(5,094)	–	(5,884)	–	(5,884)
At 31 December 2013 and 1 January 2014	4,754,247	4,272,745	1,163,450	6,167,302	16,357,744	17,610	16,375,354
Additions	4,139	26,473	25,918	1,338,859	1,395,389	–	1,395,389
Transfers from construction in progress	50,230	–	–	(50,230)	–	–	–
Disposals	–	–	(203)	–	(203)	–	(203)
At 30 September 2014	4,808,616	4,299,218	1,189,165	7,455,931	17,752,930	17,610	17,770,540
Accumulated amortisation and depreciation							
At 1 January 2011	(700,431)	(771,986)	(269,595)	–	(1,742,012)	(3,893)	(1,745,905)
Charge for the year	(65,216)	(64,415)	(69,638)	–	(199,269)	(798)	(200,067)
Written back on disposals	–	–	784	–	784	–	784
At 31 December 2011 and 1 January 2012	(765,647)	(836,401)	(338,449)	–	(1,940,497)	(4,691)	(1,945,188)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Target Company

	Plants and buildings	Equipment	Motor vehicles and others	Construction in progress	Sub-total	Interests in Leasehold land held for own use under operating lease	Total property, plant and equipment
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Charge for the year	(110,879)	(154,873)	(55,872)	–	(321,624)	(1,272)	(322,896)
Written back on disposals	–	–	6,571	–	6,571	–	6,571
Transfer to subsidiaries	–	–	–	–	–	504	504
At 31 December 2012 and 1 January 2013	(876,526)	(991,274)	(387,750)	–	(2,255,550)	(5,459)	(2,261,009)
Charge for the year	(147,339)	(175,118)	(95,858)	–	(418,315)	(755)	(419,070)
Written back on disposals	–	309	2,485	–	2,794	–	2,794
At 31 December 2013 and 1 January 2014	(1,023,865)	(1,166,083)	(481,123)	–	(2,671,071)	(6,214)	(2,677,285)
Charge for the period	(121,657)	(193,921)	(71,067)	–	(386,645)	(577)	(387,222)
Written back on disposals	–	–	197	–	197	–	197
At 30 September 2014	(1,145,522)	(1,360,004)	(551,993)	–	(3,057,519)	(6,791)	(3,064,310)
Net book value:							
At 31 December 2011	2,639,240	1,570,864	471,798	6,866,346	11,548,248	23,389	11,571,637
At 31 December 2012	2,806,228	2,492,925	514,160	6,371,505	12,184,818	12,151	12,196,969
At 31 December 2013	3,730,382	3,106,662	682,327	6,167,302	13,686,673	11,396	13,698,069
At 30 September 2014	3,663,094	2,939,214	637,172	7,455,931	14,695,411	10,819	14,706,230

Notes:

(a) All plants, buildings and interests in leasehold land held for own uses under operating leases are located in the PRC. The Target Group's interests in leasehold land held for own uses under operating leases expire between 34 years and 50 years.

(b) Certain plants and buildings, equipment and interests in leasehold land held for own use under operating lease of the Target Group with an aggregate carrying amount of RMB1,137,033,000, RMB1,188,995,000, RMB1,108,281,000 and RMB1,000,502,000 for the years ended 31 December 2011, 2012 and 2013 and for nine months ended 30 September 2014, respectively, are pledged to secure bank loans and other borrowings (see note 22) granted to the Target Group.

(c) As at the date of this report, the ownership certificates for certain plants and buildings of the Target Group with a carrying amount of RMB nil, RMB nil, RMB196,528,000 and RMB192,871,000 for the years ended 31 December 2011, 2012 and 2013 and for nine months ended 30 September 2014, respectively, have not been obtained.

(d) Certain property, plant and equipment which were obsolete, damaged or that could not generate future economic benefits were provided against for impairment for the years ended 31 December 2011, 2012 and 2013 and for nine months ended 30 September 2014 was RMB1,615,000, RMB Nil, RMB31,360,000 and RMB Nil respectively.

12 INTANGIBLE ASSETS

The Target Group	Mining rights *RMB'000*	Patents *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost:				
At 1 January 2011	535,449	129,720	9,580	674,749
Additions	63,125	51,260	3,149	117,534
Disposals	–	(64,750)	–	(64,750)
At 31 December 2011 and 1 January 2012	598,574	116,230	12,729	727,533
Additions	20,138	1,500	470	22,108
At 31 December 2012 and 1 January 2013	618,712	117,730	13,199	749,641
Additions	–	–	1,473	1,473
Disposals	–	(1,500)	–	(1,500)
At 31 December 2013 and 1 January 2014	618,712	116,230	14,672	749,614
Additions	–	–	531	531
Disposals	–	–	(530)	(530)
At 30 September 2014	618,712	116,230	14,673	749,615
Accumulated amortisation:				
At 1 January 2011	(58,171)	(33,229)	(6,285)	(97,685)
Charge for the year	(19,315)	(15,273)	(1,056)	(35,644)
Written back on disposals	–	17,827	–	17,827
At 31 December 2011 and 1 January 2012	(77,486)	(30,675)	(7,341)	(115,502)
Charge for the year	(21,198)	(10,935)	(1,608)	(33,741)
At 31 December 2012 and 1 January 2013	(98,684)	(41,610)	(8,949)	(149,243)
Charge for the year	(20,862)	(10,351)	(1,545)	(32,758)
At 31 December 2013 and 1 January 2014	(119,546)	(51,961)	(10,494)	(182,001)
Charge for the period	(15,378)	(7,435)	(1,380)	(24,193)
Written back on disposals	–	–	49	49
At 30 September 2014	(134,924)	(59,396)	(11,825)	(206,145)
Net book value:				
At 31 December 2011	521,088	85,555	5,388	612,031
At 31 December 2012	520,028	76,120	4,250	600,398
At 31 December 2013	499,166	64,269	4,178	567,613
At 30 September 2014	483,788	56,834	2,848	543,470

12 INTANGIBLE ASSETS (CONTINUED)

The Target Company	Mining rights *RMB'000*	Patents *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost:				
At 1 January 2011	512,149	64,362	7,066	583,577
Additions	63,125	–	2,863	65,988
Disposals	–	(109)	–	(109)
At 31 December 2011 and 31 December 2012	575,274	64,253	9,929	649,456
Additions	–	–	204	204
At 31 December 2013 and 1 January 2014	575,274	64,253	10,133	649,660
Additions	–	–	479	479
At 30 September 2014	575,274	64,253	10,612	650,139
Accumulated amortisation:				
At 1 January 2011	(51,215)	(19,311)	(4,494)	(75,020)
Charge for the year	(18,299)	(6,353)	(827)	(25,479)
Written back on disposals	–	9	–	9
At 31 December 2011 and 1 January 2012	(69,514)	(25,655)	(5,321)	(100,490)
Charge for the year	(19,176)	(4,446)	(2,994)	(26,616)
At 31 December 2012 and 1 January 2013	(88,690)	(30,101)	(8,315)	(127,106)
Charge for the year	(19,176)	(5,322)	(1,423)	(25,921)
At 31 December 2013 and 1 January 2014	(107,866)	(35,423)	(9,738)	(153,027)
Charge for the period	(14,653)	(3,991)	(625)	(19,269)
At 30 September 2014	(122,519)	(39,414)	(10,363)	(172,296)
Net book value:				
At 31 December 2011	505,760	38,598	4,608	548,966
At 31 December 2012	486,584	34,152	1,614	522,350
At 31 December 2013	467,408	28,830	395	496,633
At 30 September 2014	452,755	24,839	249	477,843

13 GOODWILL

	At 31 December			At 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost	55,941	55,941	55,941	55,941
Impairment loss	(34,600)	(34,600)	(34,600)	(34,600)
Carrying amount	21,341	21,341	21,341	21,341

14 INTEREST IN ASSOCIATES

	At 31 December			At 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	–	55,893	57,766	78,339

The following lists are associates of the Target Group as at 30 September 2014:

Name of associate	Place and date of incorporation	Particulars of issued and paid up capital	The Target Group's effective interests	Principal Activity
Magontec Limited (澳大利亞海鎂特有限公司)	Australia	AUD51,597,000	29.65%	Sales of alloys and anodes
Anhui Huilong South Salt Lake Trading Co. Ltd. (安徽鹽湖輝隆南方貿易有限公司)	The PRC	RMB30,000,000	26.00%	Sales of potash
Inner Mongolia North Salt Lake Trading Co. Ltd. (內蒙古北方鹽湖商貿有限公司)	The PRC	RMB50,000,000	30.00%	Sales of potash
Sichuan Salt Lake Huili Trading Co., Ltd. (四川鹽湖匯力貿易有限公司)	The PRC	RMB50,000,000	15.00%*	Sales of potash

* As the Target Company has rights to appoint three out of nine directors of this company, the Target Company has significant influence on this company.

14 INTEREST IN ASSOCIATES (CONTINUED)

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

	At 31 December			At 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	–	55,893	57,766	78,339
Aggregate amounts of the Target Group's share of those associates'				
– Profit/(loss) from continuing operation	–	802	1,874	(2,158)
– Total comprehensive income/(expense)	–	802	1,874	(2,158)

15 AVAILABLE-FOR-SALE INVESTMENTS

	At 31 December			At 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Group				
Available-for-sale equity securities:				
– Unlisted	478,125	478,125	478,125	478,125
The Target Company				
Available-for-sale equity securities:				
– Unlisted	403,000	403,000	403,000	403,000

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 Target Company are of the opinion that their fair values cannot be measured reliably.

16 INVENTORIES

(a) Inventories in the statement of financial position comprise:

	At 31 December			At 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Group				
Raw materials	379,865	637,181	750,884	946,412
Work in progress	124,885	142,105	245,973	382,756
Finished goods	972,591	1,126,808	1,228,028	1,114,500
Goods in transit	257,843	157,520	158,913	184,352
	1,735,184	2,063,614	2,383,798	2,628,020

	At 31 December			At 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Company				
Raw materials	333,968	655,347	551,866	498,405
Work in progress	5,181	7,872	110,346	270,054
Finished goods	340,613	361,263	396,839	233,992
Goods in transit	195,562	–	–	–
	875,324	1,024,482	1,059,051	1,002,451

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	At 31 December			At 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	2,320,070	3,544,939	3,852,726	3,171,866
Write down of inventories	54,008	145,766	551,555	504,747
	2,374,078	3,690,705	4,404,281	3,676,613

17 TRADE AND BILLS RECEIVABLES

	At 31 December			At 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Group				
Trade receivable	201,688	274,874	423,019	504,989
Less: allowance for doubtful debts (*Note 17(b)*)	(124,593)	(124,498)	(127,051)	(133,293)
	77,095	150,376	295,968	371,696
Bill receivables	1,898,272	3,506,081	2,092,187	735,438
	1,975,367	3,656,457	2,388,155	1,107,134

	At 31 December			At 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Company				
Amount due from subsidiaries	44,252	221	36,370	70,098
Trade receivable	112,486	153,654	242,243	371,271
Less: allowance for doubtful debts (*Note 17(b)*)	(102,282)	(101,379)	(102,299)	(107,279)
	54,456	52,496	176,314	334,090
Bill receivables	1,883,772	3,460,050	1,886,880	485,822
	1,938,228	3,512,546	2,063,194	819,912

(a) Ageing analysis

The ageing analysis of trade and bills receivable, based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 31 December			At 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Group				
Within 3 months	860,985	1,603,330	1,155,076	674,621
3 to 6 months	1,100,999	2,033,526	1,213,468	426,554
6 to 12 months	–	1,133	553	3,543
Over 12 months	13,383	18,468	19,058	2,416
	1,975,367	3,656,457	2,388,155	1,107,134

17 TRADE AND BILLS RECEIVABLES (CONTINUED)

(a) Ageing analysis (continued)

	At 31 December			At 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Company				
Within 3 months	845,414	1,505,638	968,795	536,607
3 to 6 months	1,092,588	2,006,828	1,094,391	281,777
6 to 12 months	–	–	–	–
Over 12 months	226	80	8	1,528
	1,938,228	3,512,546	2,063,194	819,912

Trade and bills receivable are due within 30 days from the date of billing. Further details on the Target Group's credit policy are set out in Note 27(a).

(b) Impairment of trade receivable

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

	At 31 December			At 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Group				
At 1 January	125,580	124,593	124,498	127,051
Impairment loss recognised	792	1,826	3,377	7,510
Reversal of doubtful debt	(1,779)	(1,921)	(824)	(1,268)
At 31 December/30 September	124,593	124,498	127,051	133,293

	At 31 December			At 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Company				
At 1 January	101,863	102,282	101,379	102,299
Impairment loss recognised	419	525	1,451	5,469
Reversal of doubtful debt	–	(1,428)	(531)	(489)
At 31 December/30 September	102,282	101,379	102,299	107,279

17 TRADE AND BILLS RECEIVABLES (CONTINUED)

(c) Trade debtors and bills receivable that are not impaired

	At 31 December			At 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Group				
Neither past due nor impaired	1,910,958	3,523,470	2,116,640	962,896
Less than three months past due	51,026	114,520	252,231	138,279
Over three months	13,383	18,467	19,284	5,959
At 31 December/30 September	1,975,367	3,656,457	2,388,155	1,107,134

	At 31 December			At 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Company				
Neither past due nor impaired	1,938,002	3,460,182	1,923,250	744,548
Less than three months past due	–	52,284	139,936	73,836
Over three months	226	80	8	1,528
At 31 December/30 September	1,938,228	3,512,546	2,063,194	819,912

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Target Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Target Group does not hold any collateral over these balances.

18 OTHER RECEIVABLES AND PREPAYMENTS

	At 31 December			At 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Group				
Deductible input VAT	540,489	938,005	1,759,190	2,141,623
Advance payments	117,579	27,996	83,716	97,047
Other receivables	298,651	284,400	252,193	291,152
Less: allowance for doubtful debts (*Note 18(a)*)	(128,070)	(98,668)	(108,242)	(110,053)
	828,649	1,151,733	1,986,857	2,419,769

18 OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

	At 31 December			At 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Company				
Deductible input VAT	238,921	268,380	251,097	164,723
Amounts due from subsidiaries	3,598,400	8,932,173	15,669,482	19,125,726
Other receivables	103,716	128,712	124,492	137,098
Less: allowance for doubtful debts (*Note 18(a)*)	(76,380)	(80,304)	(86,895)	(88,333)
	3,864,657	9,248,961	15,958,176	19,339,214

(a) Impairment of other receivables and prepayments

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

	At 31 December			At 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Group				
At 1 January	139,704	128,070	98,668	108,242
Impairment loss recognised	6,662	7,725	10,171	3,777
Reversal of doubtful debt	(1,644)	(464)	(597)	(1,966)
Uncollectible amounts written off	(16,652)	(36,663)	–	–
At 31 December/30 September	128,070	98,668	108,242	110,053

	At 31 December			At 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Company				
At 1 January	88,157	76,380	80,304	86,895
Impairment loss recognised	4,749	4,451	6,988	1,438
Reversal of doubtful debt	–	–	(397)	–
Uncollectible amounts written off	(16,526)	(527)	–	–
At 31 December/30 September	76,380	80,304	86,895	88,333

19 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	Note	At 31 December 2011 RMB'000	2012 RMB'000	2013 RMB'000	At 30 September 2014 RMB'000
The Target Group					
Cash at bank and in hand		1,900,040	2,112,249	2,324,215	2,256,261
Pledged bank deposits	*(i)*	46,651	53,758	7,219	321,000
		1,946,691	2,166,007	2,331,434	2,577,261
Less: Pledged bank deposits		(46,651)	(53,758)	(7,219)	(321,000)
Cash and cash equivalents		1,900,040	2,112,249	2,324,215	2,256,261

	Note	At 31 December 2011 RMB'000	2012 RMB'000	2013 RMB'000	At 30 September 2014 RMB'000
The Target Company					
Cash at bank and in hand		1,216,298	1,037,675	1,437,618	1,458,976
Pledged bank deposits	*(i)*	–	–	–	200,000
		1,216,298	1,037,675	1,437,618	1,658,976
Less: Pledged bank deposits		–	–	–	(200,000)
Cash and cash equivalents		1,216,298	1,037,675	1,437,618	1,458,976

Note:

(i) Cash deposits of RMB321,000,000 for the Target Group and RMB200,000,000 for the Target Company as at 30 September 2014 were mainly pledged to banks for the performance guarantee in relation to bills payables.

19 CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of profit before taxation to cash generated from operations:

	Years ended 31 December			Nine months ended 30 September	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Profit before taxation	3,353,864	3,219,775	1,431,142	928,974	875,174
Adjustments for:					
Depreciation	370,608	485,315	702,410	441,567	606,800
Impairment loss on property, plant and equipment	1,615	–	31,360	29,874	–
Amortisation of land lease premium	3,011	5,433	5,032	3,768	3,929
Amortisation of intangible assets	35,644	33,741	32,758	25,239	24,193
Amortisation of other long-term assets	1,009	8,584	7,971	5,957	5,823
Impairment loss on trade receivables and other receivables	7,454	9,551	13,548	1,879	11,287
Reversal of impairment loss on trade receivables and other receivables	(3,423)	(2,385)	(1,421)	(1,421)	(3,234)
Impairment loss on inventories	54,008	145,766	551,555	350,283	504,747
Reversal of provision	(2,360)	(2,613)	–	–	–
Write-off of waived payables	–	(7,425)	(146)	(146)	(522)
Finance costs	137,157	363,234	633,132	408,941	534,291
Dividend income from available-for-sale investments	–	(10,000)	(12,000)	(12,000)	(12,000)
Interest income	(42,258)	(17,466)	(17,343)	(12,664)	(13,637)
Share of profits less losses of associates	–	(802)	(1,874)	(1,406)	2,158
Loss on sale of property, plant and equipment	(1,089)	(5,709)	(3,973)	(94)	(1,907)
Amortisation of deferred income	(400)	(173,475)	(10,434)	(7,771)	(4,731)
	3,914,840	4,051,524	3,361,717	2,160,980	2,532,371
Changes in working capital:					
Increase in inventories	(120,411)	(474,196)	(871,739)	(826,539)	(748,969)
Decrease/(increase) in trade and other receivables	1,305,564	(2,016,847)	470,154	784,932	551,742
(Decrease)/increase in trade and other payables	(1,673,503)	1,201,680	521,735	(222,216)	776,112
Cash generated from operations	3,426,490	2,762,161	3,481,867	1,897,157	3,111,256

20 TRADE AND BILLS PAYABLES

	At 31 December			At 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Group				
Trade payable	2,369,421	3,496,176	4,970,107	5,400,547
Bills payable	–	45,471	37,446	204,931
	2,369,421	3,541,647	5,007,553	5,605,478

	At 31 December			At 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Company				
Trade payable	1,251,379	1,149,502	1,334,915	1,251,351
Bills payable	–	45,471	37,446	83,931
	1,251,379	1,194,973	1,372,361	1,335,282

The carrying amount of trade payable mainly represents the payables for the construction projects of the Target Group and the Target Company. As of the end of the reporting periods, the ageing analysis of trade and bills payable, based on the invoice date, is as follows:

	At 31 December			At 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Group				
Within 3 months	812,281	1,531,569	2,372,868	2,769,974
3 to 6 months	583,523	911,247	1,194,517	763,746
6 to 12 months	133,850	369,756	330,673	335,070
Over 12 months	839,767	729,075	1,109,495	1,736,688
	2,369,421	3,541,647	5,007,553	5,605,478

	At 31 December			At 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Company				
Within 3 months	368,908	131,555	163,292	297,752
3 to 6 months	444,638	745,649	942,699	458,068
6 to 12 months	2,073	51,405	65,378	10,869
Over 12 months	435,760	266,364	200,992	568,593
	1,251,379	1,194,973	1,372,361	1,335,282

21 OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 December 2011	2012	2013	At 30 September 2014
	RMB'000	RMB'000	RMB'000	RMB'000
The Target Group				
Receipt in advance	1,234,246	1,907,745	785,773	1,225,668
Deposit payable	391,041	540,476	567,751	691,301
Accrued payroll and welfare	135,671	203,648	293,088	82,970
Interest payable	1,573	1,573	211,676	150,836
Other tax payables	225,048	146,056	177,821	136,672
Others	137,846	200,944	172,530	301,221
	2,125,425	3,000,442	2,208,639	2,588,668

	At 31 December 2011	2012	2013	At 30 September 2014
	RMB'000	RMB'000	RMB'000	RMB'000
The Target Company				
Receipt in advance	1,071,353	1,656,021	526,690	861,743
Deposit payable	162,074	141,942	71,037	49,333
Accrued payroll and welfare	83,379	122,903	170,558	32,552
Interest payable	–	–	207,917	145,542
Advance to subsidiaries	313,947	144,387	339,056	292,926
Other tax payables	59,067	68,009	83,052	97,882
Others	77,625	136,187	124,023	149,264
	1,767,445	2,269,449	1,522,333	1,629,242

22 INTEREST-BEARING BORROWINGS

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

	Note	At 31 December 2011	2012	2013	At 30 September 2014
		RMB'000	RMB'000	RMB'000	RMB'000
The Target Group					
Bank loans					
– secured	*(i)*	1,327,000	2,619,000	4,706,000	5,002,000
– unsecured		7,716,945	14,518,903	19,032,018	25,180,500
		9,043,945	17,137,903	23,738,018	30,182,500
Bonds	*(ii)*				
Principal amount		–	–	5,000,000	5,000,000
Less: unamortised transaction costs		–	–	(27,427)	(25,173)
		–	–	4,972,573	4,974,827
		9,043,945	17,137,903	28,710,591	35,157,327

22 INTEREST-BEARING BORROWINGS (CONTINUED)

These interest-bearing borrowings were repayable as follows:

	At 31 December 2011	At 31 December 2012	At 31 December 2013	At 30 September 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Group				
Within 1 year or on demand	2,853,640	3,778,540	3,492,300	4,591,500
After 1 year but within 2 years	1,262,540	1,463,300	3,653,000	4,347,500
After 2 year but within 5 years	4,709,765	10,489,971	10,937,000	12,130,000
After 5 years	218,000	1,406,092	10,628,291	14,088,327
	6,190,305	13,359,363	25,218,291	30,565,827
	9,043,945	17,137,903	28,710,591	35,157,327

	Note	At 31 December 2011	At 31 December 2012	At 31 December 2013	At 30 September 2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Company					
Bank loans					
– secured	*(i)*	300,000	–	–	–
– unsecured		6,436,945	13,282,903	18,141,018	24,569,000
		6,736,945	13,282,903	18,141,018	24,569,000
Bonds	*(ii)*				
Principal amount		–	–	5,000,000	5,000,000
Less: unamortised transaction costs		–	–	(27,427)	(25,173)
		–	–	4,972,573	4,974,827
		6,736,945	13,282,903	23,113,591	29,543,827

	At 31 December 2011	At 31 December 2012	At 31 December 2013	At 30 September 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Company				
Within 1 year or on demand	2,304,640	2,972,540	2,623,300	4,021,000
After 1 year but within 2 years	872,540	1,303,300	3,510,000	4,161,000
After 2 year but within 5 years	3,559,765	8,740,971	9,810,000	9,854,000
After 5 years	–	266,092	7,170,291	11,507,827
	4,432,305	10,310,363	20,490,291	25,522,827
	6,736,945	13,282,903	23,113,591	29,543,827

22 INTEREST-BEARING BORROWINGS (CONTINUED)

Notes:

(i) Bank loans were either pledged by certain items of property, plant and equipment and interests in leasehold land held for own use under operating lease as disclosed in note 11, or guaranteed by companies within the Target Group, except for bank loans of RMB300,000,000 of the Target Company is guaranteed by bills receivable of RMB348,000,000 as at 31 December 2011.

(ii) On 6 March 2013, the Target Company issued a corporate bond with an aggregate principal amount of RMB5 billion with a maturity of 7 years at a fixed interest rate of 4.99% per annum. The transaction costs of RMB30,544,000 directly attributable to issuance of the bond have been deducted from the principal amount of the bonds.

23 DEFERRED INCOME

	At 31 December			At 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Group				
At 1 January	243,284	265,664	298,729	408,130
Additions	22,780	206,540	119,835	1,218
Recognised in consolidated statement of profit or loss	(400)	(173,475)	(10,434)	(4,731)
At 31 December/30 September	265,664	298,729	408,130	404,617

	At 31 December			At 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Company				
At 1 January	168,434	176,434	59,000	74,000
Additions	8,000	51,000	15,000	100
Recognised in consolidated statement of profit or loss	–	(168,434)	–	–
At 31 December/30 September	176,434	59,000	74,000	74,100

Deferred income mainly represents the PRC local government grants received from relevant PRC authorities for fixed asset investment of the Target Group. The subsidies are recognised in the consolidated statement of profit or loss over the estimated useful lives of the respective assets.

24 OBLIGATIONS UNDER FINANCE LEASES

The Target Group had obligations under finance leases repayable as follows:

	At December 2011		At December 2012	
	Present value of the minimum lease payments *RMB'000*	Total minimum lease payments *RMB'000*	Present value of the minimum lease payments *RMB'000*	Total minimum lease payments *RMB'000*
Within 1 year	26,574	28,251	195,502	212,634
After 1 year but within 2 years	84,014	94,959	179,828	212,634
After 2 years but within 5 years	225,360	284,877	417,237	579,066
After 5 years	128,831	189,918	64,884	94,959
	438,205	569,754	661,949	886,659
Total	464,779	598,005	857,451	1,099,293
Less: total future interest expenses		133,226		241,842
Present value of lease obligation		464,779		857,451

	At December 2013		At September 2014	
	Present value of the minimum lease payments *RMB'000*	Total minimum lease payments *RMB'000*	Present value of the minimum lease payments *RMB'000*	Total minimum lease payments *RMB'000*
Within 1 year	195,502	212,634	195,502	212,634
After 1 year but within 2 years	179,828	212,634	179,827	212,634
After 2 years but within 5 years	318,871	461,390	184,519	280,454
After 5 years	–	–	–	–
	498,699	674,024	364,346	493,088
Total	694,201	886,658	559,848	705,722
Less: total future interest expenses		192,457		145,874
Present value of lease obligation		694,201		559,848

25 DEFERRED TAX ASSETS

(a) Deferred tax assets recognised

(i) The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the Relevant Period are as follows:

	Note	**Intra-group unrealised profits** *RMB'000*	**Impairment losses for property, plant and equipment** *RMB'000*	**Impairment of trade receivable** *RMB'000*	**Write down of inventories** *RMB'000*	**Tax loss** *RMB'000*	**Deferred income** *RMB'000*	**Accrued safety production fund** *RMB'000*	**Other** *RMB'000*	**Total** *RMB'000*
The Target Group										
At 1 January 2011		68,172	8,750	30,056	81	4,497	14,963	12,046	11,246	149,811
(Charged)/credited to profit or loss	*7(a)*	(46,464)	(1,826)	1,925	8,132	10,050	2,265	2,889	(6,851)	(29,880)
At 31 December 2011		21,708	6,924	31,981	8,213	14,547	17,228	14,935	4,395	119,931
At 1 January 2012		21,708	6,924	31,981	8,213	14,547	17,228	14,935	4,395	119,931
(Charged)/credited to profit or loss	*7(a)*	15,638	(466)	322	21,846	58,939	8,270	16,878	(734)	120,693
At 31 December 2012		37,346	6,458	32,303	30,059	73,486	25,498	31,813	3,661	240,624
At 1 January 2013		37,346	6,458	32,303	30,059	73,486	25,498	31,813	3,661	240,624
(Charged)/credited to profit or loss	*7(a)*	(7,682)	223	1,704	16,670	(47,478)	3,264	(13,417)	(45)	(46,761)
At 31 December 2013		29,664	6,681	34,007	46,729	26,008	28,762	18,396	3,616	193,863
At 1 January 2014		29,664	6,681	34,007	46,729	26,008	28,762	18,396	3,616	193,863
(Charged)/credited to profit or loss	*7(a)*	(23,124)	–	963	(1,497)	–	–	5,335	–	(18,323)
At 30 September 2014		6,540	6,681	34,970	45,232	26,008	28,762	23,731	3,616	175,540

25 DEFERRED TAX ASSETS (CONTINUED)

(a) Deferred tax assets recognised (continued)

(i) The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the Relevant Period are as follows: (continued)

	Impairment losses for property, plant and equipment	Impairment of trade receivable	Write down of inventories	Deferred income	Accrued safety production fund	Other	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Target Company							
At 1 January 2011	3,385	22,955	–	450	1,166	4,069	32,025
Credited to profit or loss	–	3,844	8,132	1,200	11,519	–	24,695
At 31 December 2011	3,385	26,799	8,132	1,650	12,685	4,069	56,720
At 1 January 2012	3,385	26,799	8,132	1,650	12,685	4,069	56,720
Credited to profit or loss	–	453	5,995	7,200	16,797	–	30,445
At 31 December 2012	3,385	27,252	14,127	8,850	29,482	4,069	87,165
At 1 January 2013	3,385	27,252	14,127	8,850	29,482	4,069	87,165
Credited/(charged) to profit or loss	–	1,128	8,619	2,250	(12,045)	–	(48)
At 31 December 2013	3,385	28,380	22,746	11,100	17,437	4,069	87,117
At 1 January 2014	3,385	28,380	22,746	11,100	17,437	4,069	87,117
Credited/(charged) to profit or loss	–	966	(1,497)	–	5,335	–	4,804
At 30 September 2014	3,385	29,346	21,249	11,100	22,772	4,069	91,921

(ii) Reconciliation to the statement of financial position:

	At 31 December			At 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Group				
Net deferred tax asset recognised in the statement of financial position	119,931	240,624	193,863	175,540
The Target Company				
Net deferred tax asset recognised in the statement of financial position	56,720	87,165	87,117	91,921

(b) Deferred tax assets not recognised

The Target Group has not recognised deferred tax assets in respect of cumulative tax losses in certain subsidiaries of RMB56,445,000, RMB83,960,000, RMB526,695,000, and RMB857,161,000 as at 31 December 2011, 2012 and 2013 and 30 September 2014, respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant subsidiaries.

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Target Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Target Company's individual components of equity between the beginning and the end of the Relevant Periods are set out below:

	Share capital *RMB'000*	Capital reserve *RMB'000* *(Note 26(d))*	Statutory reserve *RMB'000* *(Note 26(d))*	Other reserve *RMB'000* *(Note 26(d))*	Retained profits *RMB'000*	Total Equity *RMB'000*
The Target Company						
Balance 1 January 2011	767,550	6,841,624	574,906	12,010	524,364	8,720,454
Profit and total comprehensive income for the year	–	–	–	–	4,148,546	4,148,546
Maintenance and production fund	–	–	–	252,147	–	252,147
Transfer between reserves	–	–	414,855	–	(414,855)	–
Capital increased through capital reserve	822,959	(822,959)	–	–	–	–
Balance at 31 December 2011 and 1 January 2012	1,590,509	6,018,665	989,761	264,157	4,258,055	13,121,147
Profit and total comprehensive income for the year	–	–	–	–	2,681,427	2,681,427
Maintenance and production fund	–	–	–	(67,612)	–	(67,612)
Dividends approved in respect of the previous year	–	–	–	–	(254,481)	(254,481)
Transfer between reserves	–	–	268,143	–	(268,143)	–
Balance at 31 December 2012 and 1 January 2013	1,590,509	6,018,665	1,257,904	196,545	6,416,858	15,480,481
Profit and total comprehensive income for the year	–	–	–	–	1,425,314	1,425,314
Maintenance and production fund	–	–	–	942	–	942
Dividends approved in respect of the previous year	–	–	–	–	(508,963)	(508,963)
Transfer between reserves	–	–	142,531	–	(142,531)	–
Balance at 31 December 2013 and 1 January 2014	1,590,509	6,018,665	1,400,435	197,487	7,190,678	16,397,774
Profit and total comprehensive income for the year	–	–	–	–	819,868	819,868
Maintenance and production fund	–	–	–	78,630	–	78,630
Dividends approved in respect of the previous year	–	–	–	–	(106,564)	(106,564)
Others	–	7	–	–	–	7
Balance at 30 September 2014	1,590,509	6,018,672	1,400,435	276,117	7,903,982	17,189,715

26 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

(i) Dividends payable to equity shareholders of the Target Company attributable to the year/period:

		At 31 December		**At 30 September**
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Final dividend proposed after the end of the Relevant Periods	254,481	508,963	106,564	–

The final dividend proposed after the end of each of the Relevant Periods has not been recognised as a liability at the end of each of the Relevant Periods.

(ii) Dividends payable to equity shareholders of the Target Company attributable to the previous financial year, approved and paid during the year/period:

		At 31 December		**At 30 September**
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid the year/period	–	254,481	508,963	106,564

(c) Share capital

Authorised and issued share capital

	Years ended 31 December 2011, 2012 and 2013 and nine months ended 30 September 2014	
	Number of shares	
	('000)	*RMB'000*
Authorised:		
Ordinary shares of the Target Company of RMB1.00 each	1,590,509	1,590,509
Ordinary shares, issued and fully paid:		
At 1 January/At 31 December/30 September	1,590,509	1,590,509

26 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

Capital reserve

The capital reserve of the Target Group mainly represents contributions from the shareholders of the Target Company, and difference between the carrying amount of non-controlling interests acquired and the fair value of consideration paid.

Statutory reserve

Statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Target Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors.

For the entity concerned, statutory reserves can 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, provided that the balance after such conversion is not less than 25% of the registered capital.

Other reserve

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.

(e) Capital management

The Target Group's primary objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders to maintain an optimal capital structure to reduce the cost of capital.

The Target Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in the light of changes in economic conditions.

The directors of the Target 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 Target 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.

There were no changes in the Target Group's approach to capital management compared with previous years. Companies comprising the Target Group are not subject to externally imposed capital requirements.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Target Group's business. The Target Group's exposure to these risks and the financial risk management policies and practices used by the Target Group to manage these risks are described below.

(a) Credit risk

The Target Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The directors of the Target Company consider that the Target 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 Target 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 Target Company believe that the Target Group's credit risk is significantly reduced.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (continued)

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

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

(b) Liquidity risk

Individual operating entities within the Target Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined level of authority. The Target Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet it liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting periods of the Target Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Target Group can be required to pay:

	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Balance sheet carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Target Group						
At 31 December 2011						
Interest-bearing borrowings	3,445,137	1,667,401	5,032,053	232,258	10,376,849	9,043,945
Trade and bills payables	2,369,421	–	–	–	2,369,421	2,369,421
Other payables and accrued expenses	2,125,425	–	–	–	2,125,425	2,125,425
Current tax liabilities	405,782	–	–	–	405,782	405,782
Obligation under finance leases	28,251	94,959	284,877	189,918	598,005	464,779
	8,374,016	1,762,360	5,316,930	422,176	15,875,482	14,409,352
At 31 December 2012						
Interest-bearing borrowings	4,894,977	2,333,587	11,264,932	1,497,691	19,991,187	17,137,903
Trade and bills payables	3,541,647	–	–	–	3,541,647	3,541,647
Other payables and accrued expenses	3,000,442	–	–	–	3,000,442	3,000,442
Current tax liabilities	590,034	–	–	–	590,034	590,034
Obligation under finance leases	212,634	212,634	579,066	94,959	1,099,293	857,451
	12,239,734	2,546,221	11,843,998	1,592,650	28,222,603	25,127,477

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Balance sheet carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2013						
Interest-bearing borrowings	5,295,526	5,227,644	12,771,544	11,337,777	34,632,491	28,710,591
Trade and bills payables	5,007,553	–	–	–	5,007,553	5,007,553
Other payables and accrued expenses	2,208,639	–	–	–	2,208,639	2,208,639
Current tax liabilities	313,544	–	–	–	313,544	313,544
Obligation under finance leases	212,634	212,634	461,390	–	886,658	694,201
	13,037,896	5,440,278	13,232,934	11,337,777	43,048,885	36,934,528
At 30 September 2014						
Interest-bearing borrowings	6,789,752	6,249,299	14,250,100	14,764,294	42,053,445	35,157,327
Trade and bills payables	5,605,478	–	–	–	5,605,478	5,605,478
Other payables and accrued expenses	2,588,668	–	–	–	2,588,668	2,588,668
Current tax liabilities	158,612	–	–	–	158,612	158,612
Obligation under finance leases	212,634	212,634	280,454	–	705,722	559,848
	15,355,144	6,461,933	14,530,554	14,764,294	51,111,925	44,069,933
The Target Company						
At 31 December 2011						
Interest-bearing borrowings	2,755,436	1,169,123	3,797,963	–	7,722,522	6,736,945
Trade and bills payables	1,251,379	–	–	–	1,251,379	1,251,379
Other payables and accrued expenses	1,767,445	–	–	–	1,767,445	1,767,445
Current tax liabilities	320,265	–	–	–	320,265	320,265
	6,094,525	1,169,123	3,797,963	–	11,061,611	10,076,034
At 31 December 2012						
Interest-bearing borrowings	3,844,895	1,980,433	9,332,509	283,568	15,441,405	13,282,903
Trade and bills payables	1,194,973	–	–	–	1,194,973	1,194,973
Other payables and accrued expenses	2,269,449	–	–	–	2,269,449	2,269,449
Current tax liabilities	475,852	–	–	–	475,852	475,852
Obligation under finance leases	117,675	117,675	294,189	–	529,539	405,859
	7,902,844	2,098,108	9,626,698	283,568	19,911,218	17,629,036

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Balance sheet carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2013						
Interest-bearing borrowings	4,066,080	4,780,224	11,348,344	7,654,154	27,848,802	23,113,591
Trade and bills payables	1,372,361	–	–	–	1,372,361	1,372,361
Other payables and accrued expenses	1,522,333	–	–	–	1,522,333	1,522,333
Current tax liabilities	258,561	–	–	–	258,561	258,561
Obligation under finance leases	117,675	117,675	176,513	–	411,863	319,170
	7,337,010	4,897,899	11,524,857	7,654,154	31,413,920	26,586,016
At 30 September 2014						
Interest-bearing borrowings	5,857,535	5,737,798	11,661,018	12,017,374	35,273,725	29,543,827
Trade and bills payables	1,335,282	–	–	–	1,335,282	1,335,282
Other payables and accrued expenses	1,629,242	–	–	–	1,629,242	1,629,242
Current tax liabilities	141,061	–	–	–	141,061	141,061
Obligation under finance leases	117,675	117,675	88,257	–	323,607	256,341
	9,080,795	5,855,473	11,749,275	12,017,374	38,702,917	32,905,753

(c) Interest rate risk

Cash and cash equivalents, pledged bank deposits, bank loans and other borrowings and long-term bonds are the major types of the Target Group's financial instruments subject to interest rate risk. The Target Group does not anticipate significant impact to cash and cash equivalents and the pledged bank deposits because the interest rates of bank deposits and are not expected to change significantly.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (continued)

The Target Group's interest rate risk arises primarily from bank loans, other borrowings and long-term bonds. Borrowings issued at variable rates and at fixed rates expose the Target Group to cash flow interest rate risk and fair value interest rate risk respectively. The interest rates and terms of repayment of the Target Group's borrowings are disclosed in note 22 respectively. The Target Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Target Group's interest-bearing borrowings at the end of the reporting period.

	Years ended 31 December						Nine months ended 31 September	
	2011		2012		2013		2014	
	Effective interest rate		Effective interest rate		Effective interest rate		Effective interest rate	
	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*
The Target Group								
Fixed rate borrowings:								
Bank loans	5.76% ~6.56%	2,947,000	5.60% ~6.72%	2,997,000	5.70% ~6.72%	3,203,000	5.70% ~6.72%	3,733,000
Bonds		–		–	4.99%	4,972,573	4.99%	4,974,827
		2,947,000		2,997,000		8,175,573		8,707,827
Variable rate borrowings:								
Bank loans	6.10% ~7.05%	6,096,945	6.10% ~7.05%	14,140,903	5.54% ~7.05%	20,535,018	5.54% ~7.05%	26,449,500
Total borrowings		9,043,945		17,137,903		28,710,591		35,157,327
Net fixed rate borrowings as a percentage of total net borrowings		33%		17%		28%		25%

	Years ended 31 December						Nine months ended 31 September	
	2011		2012		2013		2014	
	Effective interest rate		Effective interest rate		Effective interest rate		Effective interest rate	
	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*
The Target Company								
Fixed rate borrowings:								
Bank loans	6.10% ~6.56%	1,500,000	5.60% ~6.56%	1,650,000	5.60% ~6.72%	1,530,000	5.70% ~6.00%	2,030,000
Bonds		–		–	4.99%	4,972,573	4.99%	4,974,827
		1,500,000		1,650,000		6,502,573		7,004,827

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (continued)

(i) Interest rate profile (continued)

	Years ended 31 December						Nine months ended 31 September	
	2011		2012		2013		2014	
	Effective interest rate		Effective interest rate		Effective interest rate		Effective interest rate	
	%	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*
Variable rate borrowings:								
Bank loans	6.10% ~7.05%	5,236,945	6.10% ~7.05%	11,632,903	5.54% ~7.05%	16,611,018	5.54% ~7.05%	22,539,000
Total borrowings		6,736,945		13,282,903		23,113,591		29,543,827
Net fixed rate borrowings as a percentage of total net borrowings		22%		12%		28%		24%

(ii) Sensitivity analysis

The interest rate of the variable rate borrowing of the Target Group is based on the base rate announced by the People's Bank of China or applicable market rates.

As at 31 December 2011, 2012 and 2013 and 30 September 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates for loans and borrowings, with all other variables held constant, would decrease/increase the Target Group's and the Target Company's profit after tax and retained profits by approximately RMB51,824,000 and RMB44,514,000, RMB120,198,000 and RMB98,879,000, RMB174,548,000 and RMB141,194,000, and RMB224,821,000 and RMB191,582,000, respectively. Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the statement of financial position dates and had been applied to the exposure to interest rate risk for financial instruments in existence at the statement of financial position dates.

The sensitivity analysis is performed on the same basis for the entire Relevant Period.

(d) Fair values

During the Relevant Periods, no financial instruments of the Target Group was measured at fair value across the three levels of the fair value hierarchy defined in IFRS 7, *Financial Instruments: Disclosures*.

In respect of the Target Group's cash and cash equivalents, trade and other receivables, and trade and other payables, the carrying amounts approximated fair values during the Relevant Periods due to the relatively short term nature of these financial assets or liabilities.

In respect of the Target Group's borrowings, the carrying amounts were not materially different from their fair values during the Relevant Periods. The fair value of borrowings were estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

28 MATERIAL RELATED PARTY TRANSACTIONS

During the years ended 31 December 2011, 2012 and 2013, and the nine months ended 30 September 2013 and 2014, transactions with the following parties are considered as related party transaction.

Non-controlling shareholder
Sinofert Holdings Limited ("The Company")*
(中化化肥控股有限公司)

Associates
Anhui Huilong South Salt Lake Trading Co. Ltd. ("Anhui Huilong")
(安徽鹽湖輝隆南方貿易有限公司)
Inner Mongolia North Salt Lake Trading Co. Ltd. ("Inner Mongolia North Salt Lake")
(內蒙古北方鹽湖商貿有限公司)
Sichuan Salt Lake Huili Trading Co., Ltd. ("Sichuan Salt Lake Huili")
(四川鹽湖匯力貿易有限公司)

* The Company and Sinochem Corporation ("Sinochem Corporation") have 8.94% and 15.01% equity interest in the Target Company, respectively. As Sinochem Corporation has authorised the Company to exercise it's voting rights in the Target Company on behalf of itself, the directors of the Company are of the opinion that the Company has significant influence on the Target Company.

(a) Transactions with related parties

The principal transactions which were carried out in the ordinary course of business are as follows:

		Years ended 31 December			Nine months ended 30 September	
	Note	**2011**	**2012**	**2013**	**2013**	**2014**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Recurring transactions						
Sales:						
– The Company	*(i)*	526,287	427,013	142,332	136,924	238,027
– Anhui Huilong		–	–	–	–	423,054
– Inner Mongolia North Salt Lake		–	–	–	–	380,129
– Sichuan Salt Lake Huili		–	–	–	–	148,105
		526,287	427,013	142,332	136,924	1,189,315

Note:

(i) These represent sales of potash fertilizer to the Company. The directors of the Target Group are of the opinion that these transactions were conducted on normal commercial terms and in the ordinary course of business of the Target Group.

28 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

	At 31 December			At 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Group				
Trade receivables:				
– Inner Mongolia North Salt Lake	–	–	–	188,627
Advances from customers:				
– The Company	1,990	216,308	5,273	161,549
– Sichuan Salt Lake Huili	–	–	–	120,407
– Anhui Huilong	–	–	–	21,163
	1,990	216,308	5,273	491,746

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

The directors believe the presentation of such information is not meaningful for the purpose of this report.

29 COMMITMENTS

Capital commitments outstanding at Relevant Periods not provided for in the Financial Information were as follows:

	At 31 December			At 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Group				
Contracted for the acquisitions of fixed assets	17,115,657	14,995,739	14,687,377	14,153,269
Authorised but not contracted for the acquisitions of fixed assets	–	–	328,776	700,000
	17,115,657	14,995,739	15,016,153	14,853,269

	At 31 December			At 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Company				
Contracted for the acquisitions of fixed assets	1,619,043	196,432	195,462	477,629

30 PARENT AND ULTIMATE HOLDING COMPANY

At the balance sheet dates, the directors of the Target Company consider the parent and ultimate holding company is State-owned Properties Investment & Management Co., Ltd. of Qinghai Province (青海省國有資產投資管理有限公司).

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of this Financial Information, the HKICPA has issued a few amendments and new standards which are not yet effective for the Relevant Periods and which have not been adopted in the preparation of this Financial Information. These include the following which may be relevant to the Target Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 19, *Defined benefit plans: Employee Contributions*	1 July 2014
Annual improvements to HKFRSs 2010-2012 cycle	1 July 2014
Annual improvements to HKFRSs 2011-2013 cycle	1 July 2014
Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018

32 INVESTMENTS IN SUBSIDIARIES AND STATUTORY FINANCIAL STATEMENTS INFORMATION

	At 31 December			**At 30 September**
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Target Company				
Unlisted shares, at cost	2,727,815	4,563,915	7,511,907	11,221,512

Particulars of the subsidiaries of the Target Group during the Relevant Periods are listed below:

			Proportion of ownership interest			
Name of subsidiaries	**Place of incorporation/ registration**	**Issued and fully paid-up capital** *RMB'000*	**The Target Group' effective interests**	**held by the Target Company**	**held by subsidiaries**	**Principal activities**
Qinghai Salt Lake Haina Chemical Co., Ltd. 青海鹽湖海納化工有限公司	The PRC	2,582,150	97.75%	97.75%	–	Production and sales of chemical products
Qinghai Salt Lake Trimag Co., Ltd. 青海鹽湖特立鎂有限公司	The PRC	40,000	100%	100%	–	Production and sales of metal and alloy aluminum
Qinghai Salt Lake Hairun Hotel Management Co. Ltd. 青海鹽湖海潤酒店管理有限公司	The PRC	100,000	100%	100%	–	Hotel management, conference and exhibition service

32 INVESTMENTS IN SUBSIDIARIES AND STATUTORY FINANCIAL STATEMENTS INFORMATION (CONTINUED)

Name of subsidiaries	Place of incorporation/ registration	Issued and fully paid-up capital	Proportion of ownership interest: The Target Group' effective interests	held by the Target Company	held by subsidiaries	Principal activities
		RMB'000				
Jiujiang Salt Lake Materials Co., Ltd. 九江鹽湖新材料有限公司	The PRC	28,500	100%	100%	–	Production and sales of PVC products
Qinghai Salt Lake Technology Development Co., Ltd. 青海鹽湖科技開發有限公司	The PRC	25,000	100%	100%	–	Potassium chloride and potash sales
Qinghai Jinshiji Project Management Co., Ltd. 青海金世紀工程項目管理有限公司	The PRC	4,000	100%	100%	–	Construction project management and design
Qinghai Salt Lake Tianshi Mining Co., Ltd. 青海鹽湖天石礦業有限公司	The PRC	30,000	100%	100%	–	Limestone sales
Qinghai Salt Lake Mechanical and Electrical Equipment Manufacturing Co., Ltd. 青海鹽湖機電裝備製造有限公司	The PRC	50,000	50%	50% *note (a)*	–	Installation of chemical equipments
Qinghai Salt Lake Energy Co., Ltd. 青海鹽湖能源有限公司	The PRC	50,000	100%	100%	–	Production and sales of chemical products
Qinghai Salt Lake Xinyu Asset Management Co., Ltd. 青海鹽湖新域資產管理有限公司	The PRC	780,000	100%	100%	–	Investment holding
Qinghai Salt Lake Sanyuan Potash Co., Ltd. 青海鹽湖三元鉀肥股份有限公司	The PRC	175,500	57%	57%	–	Production and sales of potash fertilizer
Qinghai Yanyun Potash Co., Ltd. 青海鹽雲鉀鹽有限公司	The PRC	14,330	35%	35% *note (b)*	–	Production and sales of potash fertilizer

32 INVESTMENTS IN SUBSIDIARIES AND STATUTORY FINANCIAL STATEMENTS INFORMATION (CONTINUED)

Name of subsidiaries	Place of incorporation/ registration	Issued and fully paid-up capital	Proportion of ownership interest The Target Group' effective interests	held by the Target Company	held by subsidiaries	Principal activities
		RMB'000				
Qinghai Jingda Technology Co., Ltd. 青海晶達科技股份有限公司	The PRC	110,914	73.2%	73.2%	–	Production and sales of potassium and sodium
Qinghai Salt Lake Magnesium Co., Ltd. 青海鹽湖鎂業有限公司	The PRC	8,000,105	94.19%	94.19%	–	Production and sales of metal magnesium, soda ash and calcium chloride
Sichuan Salt Lake Chemical Sales Co., Ltd. 四川鹽湖化工銷售有限公司	The PRC	10,000	55%	55%	–	Sales of chemical products
Qinghai Salt Lake Fine Chemical Co., Ltd. 青海鹽湖精細化工有限公司	The PRC	20,000	94%	–	94%	Production and sales chemical products
Qinghai Salt Lake Haihong chemical limited by share Ltd 青海鹽湖海虹化工股份有限公司	The PRC	300,000	85%	–	85%	Production and sales of flame retardant and other chemical products
Qinghai Jin Bo Chemical Co., Ltd. 青海金博化工有限公司	The PRC	8,000	55%	–	55%	Production and sales of chemical products
Qinghai Salt Lake Fozhao Lanke Co., Ltd. 青海鹽湖佛照藍科鋰業股份有限公司	The PRC	222,000	41.67%	–	41.67% *note (c)*	Production and sales of lithium product
Qinghai Cement Co., Ltd. 青海水泥股份有限公司	The PRC	110,000	94.04%	–	94.04%	Production and sales of cement and clinker

32 INVESTMENTS IN SUBSIDIARIES AND STATUTORY FINANCIAL STATEMENTS INFORMATION (CONTINUED)

Name of subsidiaries	Place of incorporation/ registration	Issued and fully paid-up capital	Proportion of ownership interest: The Target Group' effective interests	held by the Target Company	held by subsidiaries	Principal activities
		RMB'000				
Qinghai Salt Lake Real Estate Development Co., Ltd. 青海鹽湖房地產開發有限公司	The PRC	20,000	100%	–	100%	Real estate development and property management
Shanghai Fuyou Real Estate Co., Ltd. 上海富友房產有限公司	The PRC	50,000	100%	–	100%	Real estate development
Qinghai Baili transportation limited liability company 青海百立儲運有限責任公司	The PRC	2,400	100%	–	100%	Railway transit services
Qinghai Baiyi property development limited liability company 青海百益物業發展有限責任公司	The PRC	3,000	100%	–	100%	Property management
Jiujiang 3T Digital Projection Technology Co., Ltd. 九江3T數字投影技術發展公司	The PRC	50,000	93.41%	–	93.41%	Production of media projectors
Qinghai Department Store Co., Ltd. 青海百貨有限責任公司	The PRC	24,500	100%	–	100%	Operation of department store
Qinghai Salt Lake Sanyuan Chemical Co., Ltd. 青海鹽湖三元化工有限公司	The PRC	60,000	57%	–	100%	Production and sale of chemical products
Qinghai Salt Lake Yuantong Potash Fertilizer Co. Ltd. 青海鹽湖元通鉀肥有限公司	The PRC	360,000	29.07%	–	51%	Production and sales of potash fertilizer
Qinghai Salt Lake Xinyu Cement Product Co. Ltd. 青海鹽湖新域水泥製造有限公司	The PRC	20,000	100%	–	100%	Production and sales of cement and clinker

32 INVESTMENTS IN SUBSIDIARIES AND STATUTORY FINANCIAL STATEMENTS INFORMATION (CONTINUED)

Name of subsidiaries	Place of incorporation/ registration	Issued and fully paid-up capital	Proportion of ownership interest: The Target Group' effective interests	held by the Target Company	held by subsidiaries	Principal activities
		RMB'000				
Qinghai Hai Lake Cement Product Co., Ltd. 青海海湖水泥製品有限公司	The PRC	14,780	93.72%	–	99.66%	Production and sales of cement and clinker
Suzhou salt Yun Industrial Co. Ltd. 蘇州鹽雲實業有限公司	The PRC	200,000	35%	–	100%	Sales of potash fertilizer

Notes:

(a) The operation of this company is to install the chemical equipments. The Target Group is the solo customer of this company. In addition, The Target Group also determined and approved the annual budget of this company.

(b) The operation of this company is to product and sales of potash fertilizer. The Target Group is the solo supplier of this company and this company used the Target Group's sales channel for its own sales. In addition, The Target Group also determined and approved the annual budget of this company.

(c) The operation of this company is to product and sales of lithium product. The Target Group is the solo supplier of this company and this company used the Target Group's sales channel for its own sales. In addition, The Target Group also determined and approved the annual budget and appointed senior management of this company.

Due to the above reasons, the Target Group are of the view that the Target Group have (i) existing rights that give it the current ability to direct the relevant activities which significantly affect these three entities' returns; (ii) exposure and rights to variable returns from its involvement with these three entities; and (iii) the ability to affect the returns of these three entities through its power over them. Accordingly, the Target Group treated these three entities as subsidiaries.

The statutory financial statements of the Target Company and its the subsidiaries for each of the three years ended 31 December 2011, 2012 and 2013, or since their respective dates of establishment, where this is a shorter period, were audited by following auditors:

Name of company	Name of statutory auditor for the financial period ended 31 December 2011	2012	2013
The Target Company 青海鹽湖工業股份有限公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Qinghai Salt Lake Haina Chemical Co., Ltd. 青海鹽湖海納化工有限公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Qinghai Salt Lake Trimag Co., Ltd. 青海鹽湖特立鎂有限公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP

32 INVESTMENTS IN SUBSIDIARIES AND STATUTORY FINANCIAL STATEMENTS INFORMATION (CONTINUED)

Name of company	Name of statutory auditor for the financial period ended 31 December 2011	2012	2013
Qinghai Salt Lake Hairun Hotel Management Co. Ltd. 青海鹽湖海潤酒店管理有限公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Jiujiang Salt Lake Materials Co., Ltd. 九江鹽湖新材料有限公司	N/A	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Qinghai Salt Lake Technology Development Co., Ltd. 青海鹽湖科技開發有限公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Qinghai Jinshiji Project Management Co., Ltd. 青海金世紀工程項目管理有限公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Qinghai Salt Lake Tianshi Mining Co., Ltd. 青海鹽湖天石礦業有限公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Qinghai Salt Lake Mechanical and Electrical Equipment Manufacturing Co., Ltd. 青海鹽湖機電裝備製造有限公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Qinghai Salt Lake Energy Co., Ltd. 青海鹽湖能源有限公司	N/A	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Qinghai Salt Lake Xinyu Asset Management Co., Ltd. 青海鹽湖新域資產管理有限公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Qinghai Salt Lake Sanyuan Potash Co., Ltd. 青海鹽湖三元鉀肥股份有限公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP

32 INVESTMENTS IN SUBSIDIARIES AND STATUTORY FINANCIAL STATEMENTS INFORMATION (CONTINUED)

Name of company	Name of statutory auditor for the financial period ended 31 December 2011	2012	2013
Qinghai Yanyun Potash Co., Ltd. 青海鹽雲鉀鹽有限公司	RSM China Certified Public Accountants LLP	RSM China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Qinghai Jingda Technology Co., Ltd. 青海晶達科技股份有限公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Qinghai Salt Lake Magnesium Co., Ltd. 青海鹽湖鎂業有限公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Sichuan Salt Lake Chemical Sales Co., Ltd. 四川鹽湖化工銷售有限公司	N/A	N/A	N/A
Qinghai Salt Lake Fine Chemical Co., Ltd. 青海鹽湖精細化工有限公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Qinghai Salt Lake Haihong chemical Limited by Share Ltd 青海鹽湖海虹化工股份有限公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Qinghai Jin Bo Chemical Co., Ltd. 青海金博化工有限公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Qinghai Salt Lake Fozhaolanke Co., Ltd. 青海鹽湖佛照藍科鋰業股份有限公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Qinghai Cement Co., Ltd. 青海水泥股份有限公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Qinghai Salt Lake Real Estate Development Co., Ltd. 青海鹽湖房地產開發有限公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Shanghai Fuyou Real Estate Co., Ltd. 上海富友房產有限公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP

32 INVESTMENTS IN SUBSIDIARIES AND STATUTORY FINANCIAL STATEMENTS INFORMATION (CONTINUED)

Name of company	Name of statutory auditor for the financial period ended 31 December 2011	2012	2013
Qinghai Baili transportation limited liability company 青海百立儲運有限責任公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Qinghai Baiyi property development limited liability company 青海百益物業發展有限責任公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Jiujiang 3T Digital Projection Technology Co., Ltd. 九江3T數字投影技術發展公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Qinghai Department Store Co., Ltd. 青海百貨有限責任公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Qinghai Salt Lake Sanyuan Chemical Co., Ltd. 青海鹽湖三元化工有限公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Qinghai Salt Lake Yuantong Potash Fertilizer Co. Ltd. 青海鹽湖元通鉀肥有限公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Qinghai Salt Lake Xinyu Cement Product Co. Ltd. 青海鹽湖新域水泥製造有限公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Qinghai Hai Lake Cement Product Co. Ltd. 青海海湖水泥製品有限公司	Crowe Horwath China Certified Public Accountants LLP	Crowe Horwath China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP
Suzhou salt Yun Industrial Co. Ltd. 蘇州鹽雲實業有限公司	RSM China Certified Public Accountants LLP	RSM China Certified Public Accountants LLP	Ruihua Certified Public Accountants LLP

C SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company and its subsidiaries in respect of any period subsequent to 30 September 2014. No dividend or distribution has been declared or made by the Target Company or any of its subsidiaries in respect of any period subsequent to 30 September 2014.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

The results of the nine months ended 30 September 2014 compared to the nine months ended 30 September 2013

Turnover

Qinghai Salt Lake's turnover for the nine months ended 30 September 2014 amounted to RMB6,610.51 million, representing an increase of 23% as compared to RMB5,383.78 million for the nine months ended 30 September 2013.

Turnover recorded from potassium chloride and related products was RMB4,805.03 million for the nine months ended 30 September 2014, an increase of 14% from RMB4,198.54 million for the same period of last year. This increase mainly reflected the combined effects of the remarkable increase in sales volume of potassium chloride products and lower average selling price during the reporting period. During the nine months ended 30 September 2014, Qinghai Salt Lake's actual sales volume of potassium chloride products reached 2.84 million tons, representing an increase of 43% over that of the same period in 2013. However, the average selling price was RMB1,696.13 per ton, representing a decrease of 19% over that of the same period in 2013.

Turnover recorded from chemical products and others was RMB1,805.48 million for the nine months ended 30 September 2014, up 52% from RMB1,185.25 million for the same period of last year. The increase in turnover of chemical products and others over same period of last year was mainly attributable to the great increase in output and sales volume of chemical products during the nine months ended 30 September 2014.

Gross profit

Qinghai Salt Lake's gross profit for the nine months ended 30 September 2014 amounted to RMB2,377.00 million, representing an increase of 31% as compared to RMB1,815.51 million for the nine months ended 30 September 2013. This increase mainly reflected the turnover growth and the gross profit margin improvement from 34% for the nine months ended 30 September 2013 to 36% for the nine months ended 30 September 2014, which was primarily due to the rise in products' sales volume and the increase in the gross profit margin of chemical products since several new chemical production lines became more stable and more production capacity reached during the reporting period.

Operating profit

For the nine months ended 30 September 2014, Qinghai Salt Lake realised operating profit of RMB1,411.62 million, representing an increase of 6% from RMB1,336.51 million for the nine months ended 30 September 2013. This increase reflected turnover growth and gross profit margin improvement which was partially offset by: (1) the decrease of the other revenue (mainly including interest income and government grants) by 38% from RMB531.12 million for the nine months ended 30 September 2013 to RMB328.50 million for the nine months ended 30 September 2014; (2) the increase of operating expenses from RMB960.97 million for the nine months ended 30 September 2013 to RMB1,280.29 million for the nine months ended 30 September 2014, representing an increase of 33%.

Out of the operating expenses, distribution cost increased by 37% from RMB683.53 million for the nine months ended 30 September 2013 to RMB937.72 million for the nine months ended 30 September 2014 due to significant increase in sales volumes of potassium chloride and chemical products from Qinghai Salt Lake and its subsidiaries.

Net profit

For the nine months ended 30 September 2014, Qinghai Salt Lake realised net profit of RMB685.63 million, which is at the same level as RMB685.37 million for the nine months ended 30 September 2013. The net profit margin decreased from 13% for the nine months ended 30 September 2013 to 10% for the nine months ended 30 September 2014. This decrease mainly reflected the growth in operating profit, which was totally offset by the increase of finance cost due to more loans and borrowings occurred in the reporting period of 2014 than that of the same period in 2013.

The results of the year ended 31 December 2013 compared to the year ended 31 December 2012

Turnover

Qinghai Salt Lake's turnover for the year ended 31 December 2013 amounted to RMB8,094.57 million, representing a decrease of 2% as compared to RMB8,270.81 million for the year ended 31 December 2012.

Turnover recorded from potassium chloride and related products was RMB6,332.63 million for 2013, a decrease of 11% from RMB7,129.80 million for 2012. This decrease mainly reflected the combined effects of the remarkable increase in sales volume of potassium chloride products and lower average selling price during the reporting period. During 2013, Qinghai Salt Lake's sales volume of potassium chloride products reached 3.28 million tons, representing an increase of 14% over that of 2012. However, the average selling price was RMB1,904.22 per ton, representing a decrease of 23% over that of 2012.

Turnover recorded from chemical products and others was RMB1,761.95 million for 2013, up 54% from RMB1,141.01 million for 2012. The increase in turnover of chemical products and others over 2012 was mainly attributable to the great increase in sales volume of chemical products during 2013.

Gross profit

Qinghai Salt Lake's gross profit for the year ended 31 December 2013 amounted to RMB3,090.60 million, representing a decrease of 23% as compared to RMB4,009.86 million for the year ended 31 December 2012. This decrease mainly reflected the decline in gross profit margin from 48% for the year ended 31 December 2012 to 38% for the year ended 31 December 2013. The decline in the gross profit margin was primarily attributable to (1) the decrease of the selling prices of potassium chloride and related products in 2013 which reduced the gross profit margin of potassium chloride and related products from 73% for 2012 to 68% for 2013; (2) certain chemical production lines were in test run in 2013 with high level production costs which contributed to a low gross profit margin in 2013.

Operating profit

For the year ended 31 December 2013, Qinghai Salt Lake realised operating profit of RMB2,062.40 million, representing a decrease of 42% from RMB3,582.21 million for the year ended 31 December 2012. This decrease mainly reflected the decrease of gross profit by RMB919.26 million, the decrease of the other income (mainly including interest income and government grants) by 28% from RMB921.76 million for the year ended 31 December 2012 to RMB666.10 million for the year ended 31 December 2013, and the increase of operating expenses from RMB1,320.61 million for the year ended 31 December 2012 to RMB1,624.91 million for the year ended 31 December 2013, representing an increase of 23%.

Out of the operating expenses, distribution cost increased by 31% from RMB887.99 million for the year ended 31 December 2012 to RMB1,167.40 million for the year ended 31 December 2013 due to significant increase in sales volumes of potassium chloride and chemical products from Qinghai Salt Lake and its subsidiaries in 2013.

Net profit

For the year ended 31 December 2013, Qinghai Salt Lake realised net profit of RMB1,066.14 million, representing a decrease of 61% from RMB2,751.93 million for the year ended 31 December 2012. The net profit margin decreased from 33% for the year ended 31 December 2012 to 13% for the year ended 31 December 2013. This decrease mainly reflected the strong decline in operating profit due to the reason mentioned above and the significant increase in finance cost due to more loans and borrowings occurred in 2013 than that of 2012.

The results of the year ended 31 December 2012 compared to the year ended 31 December 2011

Turnover

Qinghai Salt Lake's turnover for the year ended 31 December 2012 amounted to RMB8,270.81 million, representing an increase of 22% as compared to RMB6,777.56 million for the year ended 31 December 2011. This increase mainly reflected the increase in its sales volume of potassium chloride products in 2012. Qinghai Salt Lake's actual sale volume of potassium chloride products reached 2.86 million tons in 2012, representing an increase of 19% over that of 2011.

Gross profit

Qinghai Salt Lake's gross profit for the year ended 31 December 2012 amounted to RMB4,009.86 million, representing an increase of 3% as compared to RMB3,908.49 million for the year ended 31 December 2011. This increase mainly reflected the growth in turnover and the decline in gross profit margin from 58% for the year ended 31 December 2011 to 48% for the year ended 31 December 2012. The decline in the gross profit margin was primarily attributable to the slight rise in the market price of potassium chloride products and a significant increase in production cost of chemical products due to that certain chemical production lines were in test run in 2012 with high level production costs.

Operating profit

For the year ended 31 December 2012, Qinghai Salt Lake realised operating profit of RMB3,582.21 million, representing an increase of 3% from RMB3,491.02 million for the year ended 31 December 2011. This increase mainly reflected the slight growth of gross profit and an increase of 33% in other income (including mainly interest income and government grants) from RMB692.78 million for the year ended 31 December 2011 to RMB921.76 million for the year ended 31 December 2012 and an increase of 21% in operating expenses from RMB1,092.79 million for the year ended 31 December 2011 to RMB1,320.61 million for the year ended 31 December 2012.

Out of the operating expenses, distribution cost increased by 63% from RMB544.58 million for the year ended 31 December 2011 to RMB887.99 million for the year ended 31 December 2012 due to significant increase in sales volumes of potassium chloride and chemical products from Qinghai Salt Lake and its subsidiaries.

Net profit

For the year ended 31 December 2012, Qinghai Salt Lake realised net profit of RMB2,751.93 million, representing a decrease of 2% from RMB2,817.61 million for the year ended 31 December 2011. The net profit margin decreased from 42% for the year ended 31 December 2011 to 33% for the year ended 31 December 2012. This decrease mainly reflected the combined effects of the slight growth in operating profit due to the reasons mentioned above and the strong increase in finance cost due to more loans and borrowings occurred in 2012 than that of 2011.

Segment reporting

The principal activities of Qinghai Salt Lake are manufacturing and sales of potash and chemical products, and the reportable segment losses of chemical products for the three years ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2014 were RMB84.29 million, RMB978.78 million, RMB930.38 million and RMB681.74 million, respectively.

In order to better utilize salt lake resources, Qinghai Salt Lake has launched the Salt Lake Comprehensive Utilization Project during the relevant periods, which is designed to produce chemical products. The reportable segment losses are mainly due to the reason that certain chemical production lines included in the Salt Lake Comprehensive Utilization Project were transferred to property, plant and equipment gradually when they reached ready-to-use status and began depreciation during the relevant periods. However, these production lines were in trial production during the relevant periods and the actual production volume was significantly under their full production capacity, which contributed to a high level of fixed costs per unit.

Capital structure, liquidity and financial resources

The total assets of Qinghai Salt Lake amounted to RMB63,426.84 million as at 30 September 2014, which included non-current assets of RMB54,694.66 million and current assets of RMB8,732.18 million. Non-current assets primarily consisted of property, plant and equipment amounting to RMB48,450.68 million, while current assets primarily consisted of cash and cash equivalents of RMB2,256.26 million, trade and bill receivables of RMB1,107.13 million, other receivables and prepayments of RMB2,419.77 million, and inventory of RMB2,628.02 million. The non-current liabilities of Qinghai Salt Lake mainly comprised interest-bearing borrowings due after one year of RMB30,565.83 million. Its current liabilities amounted to RMB13,139.76 million, primarily consisting of trade and bill payables of RMB5,605.48 million, other payables and accrued expenses of RMB2,588.67 million and interest-bearing borrowings due within one year of RMB4,591.50 million. The net current liabilities of Qinghai Salt Lake amounted to RMB4,407.58 million as at 30 September 2014.

The net assets of Qinghai Salt Lake amounted to RMB14,912.99 million, RMB17,688.55 million, RMB18,005.44 million and RMB18,704.57 million as at 31 December 2011, 2012, and 2013 and 30 September 2014 respectively, and the gearing ratio, which was calculated by total liabilities divided by total assets, was approximately 50%, 59%, 68% and 71% respectively.

Borrowings

	At 31 December			At 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans				
– Secured	1,327,000	2,619,000	4,706,000	5,002,000
– Unsecured	7,716,945	14,518,903	19,032,018	25,180,500
Bonds				
Principal amount	–	–	5,000,000	5,000,000
Less: unamortised transaction costs	–	–	(27,427)	(25,173)
	9,043,945	17,137,903	28,710,591	35,157,327
The borrowings are repayable as follows:				
Within 1 year or on demand	2,853,640	3,778,540	3,492,300	4,591,500
After 1 year but within 2 years	1,262,540	1,463,300	3,653,000	4,347,500
After 2 years but within 5 years	4,709,765	10,489,971	10,937,000	12,130,000
After five years	218,000	1,406,092	10,628,291	14,088,327
	9,043,945	17,137,903	28,710,591	35,157,327
Total borrowings				
– at fixed rates	2,947,000	2,997,000	8,175,573	8,707,827
– at floating rates	6,096,945	14,140,903	20,535,018	26,449,500
	9,043,945	17,137,903	28,710,591	35,157,327
Analysis of borrowings by currency:				
– denominated in RMB	9,043,945	17,137,903	28,710,591	35,157,327

Fixed interest rate borrowings are charged at a range from 5.76% to 6.56%, from 5.60% to 6.72%, from 4.99% to 6.72% and from 4.99% to 6.72% per annum for the years ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2014 respectively.

Interests on borrowings at floating rates are calculated based on the borrowing rates announced by the People's Bank of China.

Capital expenditure

During the years ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2014, the capital expenditure used in purchase of property, plant and equipment and lease payment on land use rights were RMB6,546.73 million, RMB9,632.71 million, RMB12,071.18 million and RMB7,504.40 million respectively.

Capital commitments

Qinghai Salt Lake had additional capital commitments of RMB14,853.27 million as at 30 September 2014 which were comprised of commitments for capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements.

Significant investment

As at 31 December 2011, 2012 and 2013 and 30 September 2014, Qinghai Salt Lake did not hold any significant investment.

Charge on assets

As at 31 December 2011, 2012 and 2013 and 30 September 2014, certain of Qinghai Salt Lake's property, plant and equipment with an aggregate carrying value of RMB1,137.03 million, RMB1,189.00 million, RMB1,108.28 million and RMB1,000.50 million were pledged to bank to secure certain banking facilities.

Contingent liabilities

As at 31 December 2011, 2012 and 2013 and 30 September 2014, Qinghai Salt Lake had no significant contingent liabilities.

Employees and remuneration policies

Qinghai Salt Lake provides remuneration to its employees including a monthly salary, plus performance related bonus and other welfare. Total staff costs for the years ended 31 December 2011, 2012 and 2013 and nine months ended 30 September 2014 were RMB911.63 million, RMB1,284.27 million, RMB1,640.22 million and RMB1,181.78 million respectively.

Material transaction

Qinghai Salt Lake had no material acquisitions or disposals of subsidiaries and associated companies during the three years ended 31 December 2013 and the nine months ended 30 September 2014.

Exchange rate risk

All of Qinghai Salt Lake's operations are in the PRC, and all of its assets and liabilities are denominated in RMB. Thus, the Company is not aware of any material exposure to fluctuations in exchange rates that may happen to Qinghai Salt Lake.

Project investment and prospects

In order to better utilize salt lake resources, Qinghai Salt Lake has launched the Salt Lake Comprehensive Utilization Project, which is divided into three phases: Phase 1 and 2 have already begun production. Phase 3, the magnesium integration project, is currently the project with the largest investment amount of Qinghai Salt Lake, with total investment reaching RMB29.1 billion. The main products of the project include magnesium, PVC, sodium carbonate, potash, polypropylene and magnesium hydroxide. Magnesium is widely used in vehicles, aerospace and railroad transportation fields.

Currently, the sodium carbonate and a proportion of the production lines of the magnesium integration project have been completed and have entered trial production phases. The crucial magnesium equipment is predicted to undergo test-run in the second half of 2015 and gradually commence production in 2016. The remaining proportions of the project are also expected to commence production gradually in 2016.

Besides the Salt Lake Comprehensive Utilization Project, Qinghai Salt Lake also have three major chemical projects, which are the PVC integration project, the 10,000 tons of lithium carbonate project and the capacity expansion project of annual production of 1,500,000 tons of potassium chloride.

On 6 November 2014, Qinghai Salt Lake announced its plans to raise RMB5.4 billion through non-public issue of shares, of which RMB3.8 billion will mainly be used in the construction of potash projects, while the remaining RMB1.6 billion will be used to replenish working capital.

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this circular.

KPMG

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

27 January 2015

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF SINOFERT HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Sinofert Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2014 and related notes as set out on pages 121 to 122 of Appendix IV to the circular dated 27 January 2015 (the "Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on page 120 of Appendix IV to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 15.01% equity interest in Qinghai Salt Lake Industry Co., Ltd. (the "Acquisition") on the Group's financial position as at 30 June 2014 as if the Acquisition had taken place at 30 June 2014. As part of this process, information about the Group's financial position as at 30 June 2014 has been extracted by the Directors from the condensed consolidated financial statements of the Group for the six months ended 30 June 2014, on which a review report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 June 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the unaudited pro forma consolidated statement of financial position of the Group ("Unaudited Pro Forma Financial Information") as if the Acquisition had been completed on 30 June 2014. Details of the Acquisition are set out in the section headed "Letter from the Board" contained in this circular.

The Unaudited Pro Forma Financial Information has been prepared in accordance with paragraph 4.29 of the Listing Rules, for the purpose of illustrating the effect of the Acquisition whereby which Sinochem Fertilizer, a subsidiary of the Group, proposed to enter into the Share Transfer Agreement with Sinochem Corporation, pursuant to which Sinochem Fertilizer shall acquire, and Sinochem Corporation shall sell, 238,791,954 issued shares of Qinghai Salt Lake, representing 15.01% of its total issued share capital, at a total consideration of approximately RMB3,890 million. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position or results of the Group had the Acquisition been completed as of the specified date or any future date.

The Unaudited Pro Forma Financial Information of the Group is based upon the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2014, which has been extracted from the Company's published interim financial report for the six months ended 30 June 2014, and adjusted on a pro forma basis to reflect the effect of the Acquisition. These pro forma adjustments are (i) directly attributable to the Acquisition and not relating to other future events and decision and (ii) factually supportable based on the terms of the Share Transfer Agreement.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

(Expressed in Renminbi unless otherwise indicated)

	The Group At 30 June 2014 *RMB'000* *(Unaudited)*	**Pro forma adjustment** *RMB'000*	*Note*	**Pro forma Group** *RMB'000*
Non-current assets				
Property, plant and equipment	3,440,779	–		3,440,779
Prepaid lease payments	502,354	–		502,354
Mining rights	690,899	–		690,899
Goodwill	814,066	–		814,066
Other long-term assets	7,838	–		7,838
Interests in associates	8,255,502	3,890,101	*Note 1*	12,145,603
Interests in joint ventures	517,138	–		517,138
Available-for-sale investments	380,860	–		380,860
Advance payments for acquisition of property, plant and equipment	35,866	–		35,866
Deferred tax assets	291,385	–		291,385
	14,936,687	3,890,101		18,826,788
Current assets				
Inventories	3,866,403	–		3,866,403
Trade and bills receivables	1,104,111	–		1,104,111
Other receivables and advance payments	1,189,757	–		1,189,757
Loans to an associate	747,000	–		747,000
Prepaid lease payments	12,020	–		12,020
Other deposits	1,876,800	–		1,876,800
Bank balances and cash	466,547	(3,892,284)	*Notes 2 & 3*	(3,425,737)
	9,262,638	(3,892,284)		5,370,354
Current liabilities				
Trade and bills payables	3,556,726	–		3,556,726
Other payables and receipt in advance	2,019,117	–		2,019,117
Interest-bearing borrowings – due within one year	2,104,511	–		2,104,511
Tax liabilities	11,569	–		11,569
	7,691,923	–		7,691,923
Net current assets/(liabilities)	1,570,715	(3,892,284)		(2,321,569)
Total assets less current liabilities	16,507,402	(2,183)		16,505,219

	The Group At 30 June 2014 *RMB'000* *(Unaudited)*	Pro forma adjustment *RMB'000*	*Note*	Pro forma Group *RMB'000*
Non-current liabilities				
Interest-bearing borrowings				
– due after one year	2,687,310	–		2,687,310
Deferred income	117,309	–		117,309
Deferred tax liabilities	252,691	–		252,691
Other long-term liabilities	41,339	–		41,339
	3,098,649	–		3,098,649
NET ASSETS	13,408,753	(2,183)		13,406,570
CAPITAL AND RESERVES				
Issued equity	8,267,384	–		8,267,384
Reserves	4,995,984	(2,183)	*Note 2*	4,993,801
Total equity attributable to owners of the company	13,263,368	(2,183)		13,261,185
Non-controlling interests	145,385	–		145,385
TOTAL EQUITY	13,408,753	(2,183)		13,406,570

Note 1: The adjustment represents the Acquisition of 15.01% interest in the Qinghai Salt Lake with the consideration payable by the Group amounting to approximately RMB3,890,101,000 as if the Acquisition was completed on 30 June 2014. Total consideration for the Acquisition will be satisfied in cash by the Group on completion.

Note 2: Acquisition-related costs, such as professional fees for legal services, accounting service, stamp duty tax and other transaction costs, are included as part of the acquisition cost of the associate. For the purpose of the preparation of the Unaudited Pro Forma Financial Information of the Group, such costs related to the Acquisition are estimated to be RMB2,183,000.

Note 3: Despite that the Group had a pro forma deficit in cash of RMB3,425,737,000 as at 30 June 2014 upon completion of the Acquisition, the Directors of the Company considered that the Company will have sufficient fund to complete the Acquisition as the Company will draw down unutilised bank facilities with different financial institutions to settle the purchase consideration. These unutilised bank facilities will be charged at the basic borrowing rate quoted by the People's Bank of China.

The unutilised RMB denominated bank facilities of the Group at 30 November 2014 amounted to RMB6,780,000,000. Should the acquisition be financed entirely through draw down of the bank facilities and without utilising existing cash on hand, the interest-bearing borrowings – due after one year balance will increase by RMB3,892,284,000 and the bank balances and cash will remain at RMB466,547,000.

Note 4: No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2014.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTEREST IN SECURITIES

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interest or short position in the Shares, underlying Shares and debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) nor had any interest in the right to subscribe for Shares in the Company which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, a Director of the Company had long position in the Shares of the Company as follows:

Name of Director	Capacity	Number of Shares held	Percentage of the issued share capital of the Company
Harry Yang	Beneficial owner	600	0.000009%

3. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, have been entered into by members of the Group, within the two years preceding the Latest Practicable Date and are or may be material:

(a) as disclosed in the Company's announcement dated 24 January 2013, a capital contribution agreement was entered into on 24 January 2013 by and among Sinochem Fertilizer, Sinochem Hebei Company Limited and Shijiazhuang Bolong Agricultural Products Trading Company Limited in relation to the establishment of Sinochem Shijiazhuang Agricultural Materials and Logistics Company Limited with a registered capital of RMB60 million, of which RMB30.6 million was contributed by Sinochem Fertilizer;

(b) as disclosed in the Company's announcement dated 7 March 2013, a property purchase agreement was entered into on 7 March 2013 by and between Sinochem Fertilizer and Meixi Lake International Research and Development Center Properties Co., Ltd. (**Meixi Lake Properties**), pursuant to which Sinochem Fertilizer purchased from Meixi Lake Properties No. 2 office building situated in Meixi Lake International Research and Development Center, Changsha, Hunan Province, PRC at a consideration of approximately RMB19.34 million;

(c) as disclosed in the Company's announcement dated 29 September 2014, a capital increase agreement was entered into on 29 September 2014 by and among Sinochem Fertilizer, Guizhou Kailin Holdings (Group) Co., Ltd., Guizhou Kailin Group Co., Ltd. (**Kailin Group**) and other parties, pursuant to which Sinochem Fertilizer subscribed for approximately 3.71% of the enlarged registered capital of Kailin Group and as a consideration of which, Sinochem Fertilizer disposed of its 13.41% equity interest in Guiyang Sinochem Kailin Fertilizer Co., Ltd. to Kailin Group; and

(d) the Share Transfer Agreement.

4. DIRECTORS' SERVICE CONTRACTS

On 15 May 2014, Mr. Wang Hong Jun, executive Director and Chief Executive Officer of the Company entered into a service contract with the Company for a term of three year. On 15 May 2014, Mr. Harry Yang, executive Director and Deputy General Manager of the Company, renewed his service contract with the Company for a term of three years. Pursuant to the terms stipulated in the service contracts of Mr. Wang and Mr. Yang, the respective service contract with the Company may be (i) terminated prior to its expiry if either party serves two months' prior notice to the other in writing; or (ii) terminated by the Company in case of bankruptcy, diseases and any other significant faults of a director as described in the respective service contract. Should the Company terminate the respective service contract with Mr. Wang Hong Jun or Mr. Harry Yang prior to its expiry, Mr. Wang Hong Jun 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.

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any 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).

5. COMPETING INTERESTS

As at the Latest Practicable Date, Mr. Harry Yang, executive Director and Deputy General Manager of the Company, is also 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, as at the Latest Practicable Date, it had ceased its operation and accordingly, there is no competing business with the Group. As at the same date, other than Mr. Harry Yang, none of the directors of US Agri-Chemicals Corporation held any positions or assumed any role in the Group.

In addition, as at the Latest Practicable Date, Dr. Stephen Francis Dowdle, non-executive Director of the Company, is a director of Canpotex Limited, a Canadian corporation equally owned by Potash Corporation of Saskatchewan Inc. and two other potash producers. Canpotex Limited 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 Limited currently focus on different sales regions, the Company believes that there is no competition between the Group and Canpotex Limited. As at the same date, other than Dr. Stephen Francis Dowdle, none of the directors of Canpotex Limited held any positions or assumed any role in the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective close 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.

6. OTHER ARRANGEMENTS INVOLVING DIRECTORS

As at the Latest Practicable Date:

(a) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group; and

(b) none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2013 (the date to which the latest published audited consolidated financial statements of the Company were made up), (i) acquired or disposed of by; (ii) leased to; or (iii) are proposed to be acquired or disposed of by; or (iv) are proposed to be leased to any member of the Group.

7. MATERIAL ADVERSE CHANGES

Save as disclosed in the Company's announcements dated 5 August and 21 August 2014, as at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Company since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

9. EXPERTS

The following is the qualification of the expert who has given its opinions or advice, which are contained or referred to in this circular:

Name	Qualification
Guotai Junan	a licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity
KPMG	Certified Public Accountants

As at the date of this circular, each of Guotai Junan and KPMG:

(a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears;

(b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(c) did not have any direct or indirect interest in any assets which had been since 31 December 2013 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group or were proposed to be acquired or disposed of by, or leased to any member of the Group.

10. MISCELLANEOUS

(a) The company secretary of the Company is Ms. CHEUNG Kar Mun, Cindy, a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and an associate member of The Hong Kong Institute of Chartered Secretaries.

(b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.

(c) The principal place of business and head office of the Company in Hong Kong is at Units 4601-4610, 46th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

(d) The principal share registrar and transfer office of the Company is Codan Services Limited at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.

(e) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

(f) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copied of the following documents will be available for inspection during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) at the principal place of business of the Company at Units 4601-4610, 46th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong up to and including the date of the SGM:

(a) the bye-laws of the Company;

(b) the Share Transfer Agreement;

(c) the service contracts referred to in the section headed "Directors' Service Contracts" in this appendix;

(d) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(e) the accountants' report on Qinghai Salt Lake from KPMG, the text of which is set out in Appendix II of this circular;

(f) the report from KPMG on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix IV of this circular;

(g) the letter from the Independent Board Committee, the text of which is set out on pages 13 to 14 of this circular;

(h) the letter of advice from Guotai Junan to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 15 to 30 of this circular;

(i) the written consents referred to in the section headed "Experts" in this appendix;

(j) the annual reports and consolidated financial statements of the Company for each of the two years ended 31 December 2012 and 2013 and the interim report and consolidated financial statements of the Company for the six months ended 30 June 2014; and

(k) a copy of each circular issued by the Company pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which has been issued since 31 December 2013, being the date of the Company's latest published audited consolidated financial statements.

SINOFERT HOLDINGS LIMITED
中化化肥控股有限公司*

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

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Sinofert Holdings Limited (the "**Company**") will be held at Drawing Room, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 12 February 2015 at 10:00 a.m., or any adjournment thereof, to consider and, if thought fit, pass, with or without modifications, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**:

   (a) the transactions contemplated under the Share Transfer Agreement (as defined and described in the circular to the shareholders of the Company dated 27 January 2015, a copy of which has been produced to the meeting marked "A" and signed by the Chairman of the meeting for the purpose of identification) be and are hereby approved, ratified and confirmed; and

   (b) the directors of the Company or any other person authorized by the directors of the Company be and are hereby authorized to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Share Transfer Agreement and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the Share Transfer Agreement which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution."

For and on behalf of the Board of
Sinofert Holdings Limited
Wang Hong Jun
Executive Director and Chief Executive Officer

Hong Kong Special Administrative Region of
the People's Republic of China

27 January 2015

* *For identification purposes only*

Notes:

1 The register of members of the Company will be closed from 11 February 2015 to 12 February 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for voting at the special general meeting of the Company, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by not later than 4:30 p.m. on 10 February 2015.

2 Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3 To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be deposited at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof.

4 Where there are joint holders of any ordinary share of the Company, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

5 Voting of the ordinary resolution set out in this notice will be by way of poll.

As at the date of this notice, the executive directors of the Company are Mr. Wang Hong Jun (Chief Executive Officer) and Mr. Harry Yang; the non-executive directors of the Company are Mr. Liu De Shu (Chairman), Mr. Yang Lin, Dr. Stephen Francis Dowdle and Ms. Xiang Dandan; and the independent non-executive directors of the Company are Mr. Ko Ming Tung, Edward and Mr. Tse Hau Yin, Aloysius.