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SINOFERT HOLDINGS LIMITED
中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

- The Group's turnover was RMB14,959 million, decreased by 42.73% year on year
- Loss attributable to owners of the Company for the year was RMB4,636 million (2015: Profit attributable to owners of the Company: RMB221 million)
- Basic losses per share for the year was RMB0.6600 (2015: basic earnings per share: RMB0.0314)
- The Board did not recommend a final dividend for the year ended 31 December 2016 (2015: a final dividend of HK$0.0097, equivalent to approximately RMB0.0081) to shareholders

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I hereby report the annual results of Sinofert Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016 to all the shareholders.

In 2016, China's fertilizer industry was in an extraordinarily severe situation as oversupply and increasingly intensified competition continued to prevail in the market. Selling price of various fertilizers remained sluggish throughout the year, falling to record lows ever seen in recent years. Preferential policies towards the fertilizer sector had been gradually abolished, and the resumption of value-added tax had significantly dampened fertilizer imports. The falling prices of farm produce also impeded the enthusiasm of farmers in fertilizer spending. Facing such challenges, the Group remained steadfast in carrying out its strategies made out at the beginning of the year, and adopted preemptive counter measures to alleviate difficulties. During the reporting period, the Group recorded a total sales volume of 9.13 million tons, down by 30% year on year; and total sales revenue of RMB15 billion, down by 43% year on year. Meanwhile, the amount of RMB3,194 million in write-down of long-term assets was reported for prudent purpose. Loss attributable to owners of the Company was RMB4,636 million, or basic losses per share RMB0.6600. Excluding the above write-down of long-term assets, loss attributable to owners of the Company was RMB1,442 million. Key indicators of the Group's performance remained under control.

Facing such a grim market environment, the Board sticks to the goal of maximizing shareholder value, continuously improving corporate governance and optimizing the management system. In accordance with the Corporate Governance Practices of The Stock Exchange of Hong Kong Limited, the Company's Board of Directors held four regular meetings in 2016 at which the Company's annual report, interim report, strategic planning and major investment projects were reviewed and approved. Meanwhile, the Board also reviewed other issues such as major investments and connected transactions. The Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee had all fulfilled their respective duties and rights as entrusted by the Board on such issues as improving internal control and risk management, optimizing the remuneration and motivation system and perfecting corporate governance structure.

Adapting to changeable market environments, the Group will follow the course of agricultural reform, strive to meet the demands of the customers, push forward internal re-structuring, focus on distribution network building, make enhanced efforts in R&D and provide high-efficiency fertilizer products and specialized services to the farmers, and constantly sharpen the cutting edge in comprehensive servicing capabilities so as to achieve a stable and sustainable growth for the Company. More specifically, the Group will reform its business model, improve market analyzing, upgrade the strategic cooperation relationship with suppliers, enhance strategic procurement capabilities, and expand marketing efforts in whole package sales to industrial customers. We will re-adjust corporate resources to center on distribution business to achieve rapid growth, and make more efforts in scientific and technological innovation to cultivate long-term growth potentials. In addition, we will strive to upgrade production management systems, re-define the Group's positioning in the industry, and ensure substantial reduction in losses in the production enterprises while enhancing and optimizing compound fertilizer and specialty fertilizer production capabilities. The Group will carry out internal re-structuring by spinning off redundancy and streamlining administration in the aim of centering on business operations. A market-oriented motivation mechanism will be established to thoroughly break the "big-pot rice" compensation system so as to revitalize the work enthusiasm of the business teams.

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

Zhang Wei
Chairman of the Board

Hong Kong, 30 March 2017

MANAGEMENT REVIEW AND PROSPECT

Business Environment

In 2016, the world economy was still undergoing deep adjustment while the Chinese economy maintained an overall stable performance and yet witnessed slower growth. After the Chinese economy entered the new normal, to promote supply-side structural reform will be a major task for the near future.

During the reporting period, agricultural production in China saw a steady development and grain output was still above 600 million tons despite a year-on-year decrease. China's structural contradictions related to agriculture was increasingly prominent, and the phenomenon of high inventory, high import and high cost in the domestic grain market persisted. Against such background, under the principle of improving quality, enhancing efficiency, transforming development pattern and stablizing grain output, increasing farmers' income and maintaining sustainability, China focused on pushing forward the agricultural supply-side structural reform, and major policies were launched, including the agricultural planting structure adjustment, reform of the agricultural subsidy system, grain purchasing & storage policy reform and reform of rural land system. The agricultural reform has a profound impact on the fertilizer industry and the latter will be faced with huge pressure from transformation and upgrading as well as reform and development.

In the year 2016, global fertilizer demand experienced a slower growth and the fertilizer consumption in China came close to zero increase for the first time. However, China's oversupply situation was still rather severe and both the import and export of fertilizers declined. The profitability of the fertilizer industry continued to deteriorate, the extent of loss in the nitrogen industry was enlarged and the overall profitability of phosphates, potash and compound fertilizers shrank. In the face of such grave situation, domestic enterprises sped up their transformation and upgrading, actively developed towards the upstream and downstream of the supply chain and the Group was confronted with a relatively big pressure of competition.

With a slow recovery of the global economy, in order to effectively meet the dire market challenges and ensure the Company's leading position in the fertilizer industry, the Group, under the leadership of the Board, continued to deepen strategic transformation and carry out reforms and was committed to becoming the most competitive comprehensive service provider of modern agriculture in China.

Financial Highlights

For the year ended 31 December 2016, the Group's turnover amounted to RMB14,959 million, down by 42.73% year on year. Loss attributable to owners of the Company amounted to RMB4,636 million.

Resource Guarantee

In 2016, Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong"), a subsidiary of the Group, continued to take advantage of its high-quality phosphate rock resource, optimized its phosphate mine development plan and extracted 350,000 tons of phosphate rock. For mine construction, Sinochem Yunlong initiated the extraction of the 600,000 tons/year Mozushao project, built a mechanized, automated and intelligent mine with information technology by introducing advanced equipment such as underground scrapers, ensured the sustainability of the resources, and constantly expanded the advantages in phosphate resources in order to further support the sustainable development of the Group's phosphate and phosphoric chemical industries.

The Group holds 20.52% equity interest in the largest potash producer in China – Qinghai Salt Lake Industry Co., Ltd. ("Qinghai Salt Lake"), which has the exploration rights in China's biggest potash mine – Qarhan Salt Lake. Qarhan Salt Lake is the biggest soluble potassium and magnesium salt mine in China, with over 60 billion tons of total reserves of various salts, including more than 540 million tons of potassium chloride. Besides, with the implementation of the zero growth policy regarding fertilizer consumption in China, the Group also paid close attention to investment and acquisition opportunities in compound fertilizers as well as new type fertilizers with big growth potential.

Manufacturing

In 2016, the total annual fertilizer production capacity of the Group's subsidiaries, associates and joint ventures exceeded 15 million tons. By continuing to promote the basic work in production enterprises, carrying out cost management, lean management, centralized procurements and quality management, promoting technical reform, process optimization, scientific innovation and automation building, implementing cost reduction and efficiency increase, further tapping the potential of the existing equipment, the production and operation efficiency of the subsidiaries was enhanced.

Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd. ("Sinochem Fuling"), a subsidiary of the Group, produced 1.12 million tons of phosphate, compound fertilizers and other products in 2016. Sinochem Fuling actively increased income and reduced expenditures, reduced cost and increased efficiency, adjusted the product mix, paid high attention to internal management, implemented environmental protection management and lowered the corporate management cost in order to ensure its steady production and operation.

Due to the unstable operation of its equipment, Sinochem Jilin Changshan Chemical Co., Ltd. ("Sinochem Changshan"), a subsidiary of the Group, produced only 190,000 tons of urea and compound fertilizers in 2016. Sinochem Changshan adjusted the product structure, promoted the upgrading and reform of the process, equipment and technology, tapped into its own potential, improved the competitiveness of the equipment and pushed forward the operation of compound fertilizers by taking into consideration its locality advantages.

Sinochem Yunlong produced a record high of 306,200 tons of Monocalcium/Dicalcium Phosphate (MDCP) in 2016. Sinochem Yunlong adhered to internal management improvement, enhanced quality and efficiency, continued to push forward cost and consumption reduction and increased production efficiency. At the same time, Sinochem Yunlong strengthened process management, promoted quality enhancement and intensified the whole-process quality management. The average first acceptance rate in 2016 was above 99.6% and the product quality reached an internationally advanced level.

Marketing Services

Adapting to the characteristics of China's agriculture and through system reform and mode innovation, the Group continuously consolidated the operation foundation. The product sales for the year 2016 reached 9.13 million tons, and the Group still maintained its market position and influence.

Potash Operations: Sales volume of potash fertilizer amounted to 2.07 million tons in 2016. The Group strengthened strategic cooperation with core suppliers and acquired high-quality products from both at home and abroad; deepened the channel marketing of potash for agriculture, built self-owned brands of potash for agriculture, enriched the product operation system, actively streamlined the customer base, tapped the potential demand of end users and stablized the sales of potash for agriculture; expanded the core customer system for industrial potash, coordinated with large and medium-sized customers in various regions, strengthened market analysis, boosted the sales of industrial potash and enhanced the market influence; continued to step up strategic cooperation with Qinghai Salt Lake and enhanced the influence of domestic potash in regions where the Group is the exclusive agency; constantly strengthened innovation in the product management model, explored new core competitiveness and consolidated the Group's leading position in the potash trading area.

Nitrogen Operations: Sales volume of nitrogen fertilizer amounted to 2.51 million tons in 2016. The overall scale of nitrogen operation was maintained. The Group continued to strengthen the supplier system building and consolidated cooperation with core suppliers, improved resources supply capacity, and strengthened the foundation of cooperation; controlled risks and achieved stable profit by controlling open-end products and accelerating direct sales when the market continued to be sluggish; improved the contribution of sales volume and profit of industrial nitrogen, and maintained a stable sales volume and profit in ammonium chloride; and sped up new products development and cultivation and further improved the contribution of sales volume and profit of urea coated with seaweed polysaccharides.

Phosphate Operations: Sales volume of phosphate fertilizer amounted to 1.80 million tons in 2016. Through scale operation and centralized procurement, the Group ensured steady supply of high-quality products and gained sound profit from procurement. The Group also received profit from sales through marketing services and market analysis, enhanced the brand influence and realized steady profit and the improvement of customer value.

Compound Fertilizer Operations: Sales volume of compound fertilizers amounted to 1.65 million tons in 2016. The Group continued to push forward the improvement of the compound fertilizer business operation, the creation of flagship products, channel expansion and service upgrading. Through further structural adjustment and optimization, the Group strengthened the coordination on production and marketing and increased the operation and management efficiency of the supply-chain system; through successful transformation of several technological achievements resulted from constant research and development, differentiated flagship products such as chelated fertilizer were launched and the core competitiveness of the products was continuously enhanced; while continuing to consolidate the distribution network, the Group effectively integrated and optimized the existing brands and channels, strengthened the carrying capacity of marketing in existing channels and attracted more and more high-quality customers in the industry; the Group upgraded the means of agricultural services, strengthened the ability to serve the whole process of planting and had a relatively big influence on new agricultural operation entities.

Monocalcium/Dicalcium phosphate (MDCP) Operations: Sinochem Yunlong strengthened production and sales coordination, explored domestic and international markets, carried out sea-rail combined transportation, optimized logistics, reduced the transportation cost, enhanced the competitiveness of its products and better served the demand of customers both at home and abroad. Sales volume of MDCP amounted to 300,000 tons in 2016, a constant increase year on year. Meanwhile, the brand switch was successful and independent management was realized.

In 2016, the Group continued to develop the distribution network, cooperated with high-quality customers, increased the number of its outlets at the township level, introduced product portfolio and marketing services and gradually built an efficient agricultural distribution system. At the same time, the Group also promoted the upgrading of marketing services in its branches, centred on potash for agriculture, agricultural DAP and compound fertilizers, constantly optimized the structure of distribution network, enhanced the marketing and service capability of business personnel, increased the number of service providers for the distribution network and built a professional and efficient service team. Besides, the Group made full use of governmental and social resources, actively participated in the implementation of China's agricultural strategy, maintained long-term cooperation with the Department of Crop Production, Ministry of Agriculture, signed agreements with the National Agricultural Technology Extension and Service Center, jointly built pilot demonstration fields, strived to provide strong technological support for the agricultural restructuring, income increase of farmers and agricultural efficiency improvement so as to open up a new path for China's fertilizer industry.

Internal Control and Management

The Group's internal control and risk management system was built according to the "Internal Control—Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (hereinafter referred to as "COSO") in the United States and the "Internal Control and Risk Management—A Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants, and was in reference to the "Basic Rules of the Enterprise Internal Control" and its referencing guidelines issued by five ministries and commissions of China's central government. Under the principle of "high priority, daily monitoring and mainly diverting", the Group improved the operation mechanism of the risk and internal control committee and brought into full play the risk and internal control committee's decision-marking role regarding major risk matters, regularly conducted risk identification, assessment and response, implemented a whole-process risk alarming management mechanism and adopted corresponding measures for material risks. In 2016, by creating universal risk culture at different levels through various channels, improving the internal control manual so as to promote the optimization of business processes, strengthening the allocation and utilization efficiency of credit resources, carrying out special monitoring and evaluation on entities with prominent problems of overdue payment, improving the management means for inventory risk and enhancing the risk management awareness among the personnel, the Group further carried out the internal control system building and consolidated the fundamental work and met the compliance requirements from the domestic and overseas regulatory organizations. The above efforts provided reasonable protection for the Group to cope with the changing market and operational environment, serve its strategic transformation and ensure the shareholders' interests, asset safety, business performance and strategic implementation.

Corporate Social Responsibility

The Group actively brought into play its influence and leading status in the industry, directly provided agricultural inputs to the grass-root level and ensured steady supply of products through its comprehensive agricultural inputs distribution and service network covering above 95% of China's arable land during the key period of spring planting season and field management. In 2016, the Group focused on free soil testing service, field guidance, seminars for farmers, and anti-counterfeiting and together with the National Agricultural Technology Extension and Service Center, built pilot demonstration fields and launched training programs for new occupational farmers. By the end of 2016, more than 20,000 activities were carried out, including over 6,000 filed guidance and soil testing and formula fertilizer activities, over 6,000 anti-counterfeiting activities, over 3,000 training programs for farmers, over 1,000 demonstration seminars, more than 2,000 pilot demonstration fields were built and more than 30,000 copies of promotional materials were distributed, which benefited more the 1,000 villages and towns and over 2 million farmers.

In 2016, Sinochem Fertilizer Co., Ltd. ("Sinochem Fertilizer"), a subsidiary of the Group, deepened its cooperation with the Department of Crop Production, Ministry of Agriculture and the National Agricultural Technology Extension and Service Center, focused on the implementation of fertilizer application reduction and other projects, explored new mode of scientific fertilization and actively fulfilled its social responsibility. Sinochem Fertilizer launched large-scale demonstration field tours of formula fertilization in provinces such as Anhui, Shandong and Hainan, explored a new mechanism for the cooperation between the Ministry of Agriculture and enterprises, brought into full play the role of new operation entities and provided impetus for fertilizer application reduction and efficiency improvement through demonstration; and coordinated with local agricultural technology extension centers to promote advanced application technology and production model and led farmers to use new products and new technology.

In 2016, the Group fulfilled its corporate social responsibility, carried out the "Spring Breeze Action" by taking more than 100 targeted measures in poverty alleviation, launched poverty alleviation activities in Ar Horqin Banner and Linxi County of Inner Mongolia, Changfeng County of Anhui Province and Xundian County of Yunnan Province, donated more than RMB1 million worth of fertilizer and application equipment to help local farmers dealing with the difficulty of being unable to plant or purchase fertilizers due to natural disasters.

In the future, the Group will continue to focus on the requirement of modern agriculture development and strive to serve farmers, center on the goal of fertilizer and pesticide application reduction, deepen the cooperation with the Chinese government, scientific institutions, colleges and universities, put emphasis on key projects such as scientific fertilization, integration of water and fertlizer and new farmers' training, pool the internal and external resources, constantly make innovations in terms of service measures and continue to provide high-quality, professional and high-efficiency comprehensive service for Chinese farmers.

The Group continued to strengthen health, safety and environment ("HSE") management, built a professional HSE team, strengthened the HSE system building and training in the headquarters and relevant key subsidiaries, ensured the combination with the enterprises' production operation and sustainable development and constantly promoted the rectification of potential safety hazards. The four compulsory indicators were all reduced in 2016. In particular, the emissions of SO_2, COD, NH_3-N and NOx was down by 24.43%, 68.46%, 63.09% and 25.78%, respectively.

Outlook

Against the background of a prolonged global economic slump and frequent occurrence of political and economic "black swan" events, China's economic trend will be "L-shaped" for quite some time to come. The Chinese government will continue with the policy of making progress while ensuring stability, persistently push forward the supply-side reform, maintain the continuity and stability of macro policies and realize sustainable and steady economic and social development.

The No. 1 Document of the Chinese central government in 2017 continues to focus on agriculture, rural areas and farmers and considers the promotion of agricultural supply-side structural reform as the main track of the agriculture and rural work at the new historic stage. Great changes have taken place in the current internal and external environment for agricultural development, new conflicts and new problems have emerged, the major conflict has transformed from insufficiency in total amount to structural conflict and the conflict mainly lies in the supply side. The Chinese government requires active exploration in mode transfer, structure readjustment and further reform of agriculture so as to lay a solid foundation for further promotion of agricultural transformation and upgrading. Agriculture should transform from the current overdependence on resource consumption and mainly meeting the quantity requirement to the pursuit of green, ecological and sustainable development and mainly meeting the quality requirement and the goal of more efficiency for agriculture, better income for farmers and more green areas for rural areas should be achieved.

China's modern agriculture is still in the early stages of development, the oversupply situation on the fertilizer market still persists and the depression of the fertilizer market has brought heavy pressure on fertilizer enterprises. However, with the implementation of agricultural supply-side reform, there will be great room for improvement in soil testing and formula fertilization, the integration of water and fertilizer and the application of new fertilizers. As a Chinese leading fertlizer enterprise, the Group will take on the heavy task of promoting China's modern agriculture and the sound development of the fertilizer industry. While consolidating and improving the basic fertlizers distribution, the Group will rely on the differentiated compound fertilizers and specialty fertilizers, speed up and strengthen the building of distribution capacity, create a strong distribution system, enhance the comprehensive service capability for end-users and provide high-quality agrichemical products and service for farmers in China. Meanwhile, the Group will also further create value for the shareholders through structural reform, resource integration, internal control optimization, operation efficiency enhancement and overall competitiveness reinforcement.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended 31 December 2016, sales volume of the Group was 9.13 million tons and revenue was RMB14,959 million, down by 29.98% and 42.73%, respectively, over the corresponding period in the previous year.

For the year ended 31 December 2016, gross profit of the Group was RMB241 million, down by 85.56% over the corresponding period in the previous year; loss attributable to owners of the Company was RMB4,636 million. Excluding the impairment loss on property, plant and equipment and impairment loss on interests in an associate, the Company suffered a loss of RMB1,442 million.

I. Operation Scale

1. Sales Volume

For the year ended 31 December 2016, sales volume of the Group was 9.13 million tons, down by 29.98% over the corresponding period in 2015. In 2016, the fertilizer market remained weak and oversupplied, which resulted in the decline of sales volume of major fertilizers compared to the previous year. The sales of domestically produced fertilizers amounted to 6.22 million tons, down by 24.70% year on year. Affected by falling imports of potash, sales volume of imported fertilizers was 2.91 million tons, down by 21.35% year on year.

In terms of product mix, the drop in price of agricultural products led to falling demand for fertilizers and escalated the contradiction between supply and demand. As a result, sales volume of compound fertilizers, potash, nitrogen and phosphate declined by 30.08%, 24.45%, 44.35% and 23.40%, respectively year on year. Under the severe market conditions, the Group still maintained a relatively high market share through strengthening strategic partnership with core domestic and overseas suppliers and vigorously promoting differentiated products.

2. *Turnover*

For the year ended 31 December 2016, the turnover of the Group amounted to RMB14,959 million, decreased by RMB11,162 million or 42.73% year on year. The decrease rate of the turnover was higher than that of sales volume (29.98%), which was mainly attributable to the resumption of value-added tax and a sluggish market. The selling price of fertilizer products continued to decrease and the average selling price decreased by 18.21% year on year.

Table 1:

	For the year ended 31 December			
	2016		2015	
	Turnover *RMB'000*	**As percentage of total turnover**	Turnover *RMB'000*	As percentage of total turnover
Potash fertilizers	**3,629,552**	24.26%	5,846,791	22.38%
Nitrogen fertilizers	**2,610,677**	17.45%	6,481,523	24.81%
Compound fertilizers	**3,981,643**	26.62%	6,485,623	24.83%
Phosphate fertilizers	**3,371,433**	22.54%	5,678,588	21.74%
MCP/MDCP	**775,542**	5.18%	776,999	2.97%
Others	**590,245**	3.95%	851,964	3.27%
Total	**14,959,092**	100.00%	26,121,488	100.00%

3. *Turnover and Results by Segment*

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

The following is an analysis of the Group's turnover and result by operating segment for the year ended 31 December 2016 and for the year ended 31 December 2015:

Table 2:

2016

	Marketing *RMB'000*	**Production** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
Turnover				
External sales	**13,423,666**	**1,535,426**	**–**	**14,959,092**
Inter-segment sales	**762,827**	**2,068,834**	**(2,831,661)**	**–**
Total	**14,186,493**	**3,604,260**	**(2,831,661)**	**14,959,092**
Segment gross profit	**137,487**	**103,675**	**–**	**241,162**
Segment loss	**(507,005)**	**(3,830,487)**	**–**	**(4,337,492)**

2015

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

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

For the year ended 31 December 2016, the external sales turnover decreased by RMB11,162 million over 2015, which was attributable to decreases in the sales volume and selling price due to oversupply in domestic fertilizer market.

For the year ended 31 December 2016, the segment loss of the Group was RMB4,337 million, among which, Marketing Segment suffered a loss of RMB507 million while making a profit of RMB535 million in 2015, which was due to the resumption of value-added tax and weak fertilizer market. In addition, Production Segment suffered a loss of RMB3,830 million, declined from a loss of RMB2 million of the previous year as a result of declining real economy and the excess capacity, the pressure of enterprise competition intensified, and the operating pressure of production enterprises was constantly growing under the policy of zero-growth in fertilizer consumption and increasing pressure from environmental protection regulations. In addition, for prudent purpose, the Group recognized RMB3,194 million impairment loss on property, plant and equipment and interests in an associate.

II. Profit

1. Gross profit

For the year ended 31 December 2016, gross profit of the Group amounted to RMB241 million, decreased by RMB1,428 million over 2015.

The Group undertook different strategies for different products. In terms of potash, although the Group strengthened strategic partnership with core domestic and overseas suppliers, and secured constant and steady supply of competitive products, the gross profit decreased by 138% year on year as a result of the market downturn, fierce competition and sharp declines in prices; in terms of phosphate and nitrogen, the gross profit decreased by 88% and 97% respectively year on year, which was attributable to oversupply, the decrease in sales volume and price, and much higher cost compared with selling price; in terms of compound fertilizers, the gross profit decreased by 55% year on year due to falling prices, although the Group continuously promoted in-depth marketing, and took full advantage of the integration of production, supply and marketing.

In summary, the sluggish fertilizer market led to the decline in profit scale during the reporting period. Facing the severe market situation, the Group actively carried out the transformation of business modes, implemented technological reform, improved management and strove for sustainable development.

2. Share of results of joint ventures and associates

Share of results of joint ventures: For the year ended 31 December 2016, the share of results of joint ventures of the Group was a loss of RMB102 million, decreased by RMB151 million from a profit of RMB49 million for the corresponding period of 2015. This was mainly due to the fact that Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. ("Three Circles-Sinochem") suffered a loss of RMB99 million, decreased by RMB124 million compared to a profit of RMB25 million in 2015, due to the oversupply in the phosphorus chemical industry and the decline of the selling price.

Share of results of associates: For the year ended 31 December 2016, the share of results of associates of the Group was a loss of RMB8 million, decreased by RMB40 million over the corresponding period in 2015. This was mainly attributable to the loss of Yangmei Pingyuan Chemical Co., Ltd. ("Yangmei Pingyuan"), a major associate of the Group, as a result of falling nitrogen fertilizer price.

3. Income tax

For the year ended 31 December 2016, income tax expense of the Group was RMB5 million, down by RMB143 million from RMB148 million over 2015. This is mainly due to the decrease in taxable profits of various subsidiaries resulted from the market downturn in 2016.

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

4. Loss attributable to owners of the Company and net loss margin

For the year ended 31 December 2016, loss attributable to owners of the Company was RMB4,636 million. Facing a tough marketing environment, the Group actively took various operational measures, kept promoting the guideline of cost reduction and efficiency improvement, carried out a series of technical reform and scientific and technological innovations, and constantly deepened business transformation. Due to the market slump and write-down of RMB3,194 million on property, plant and equipment and interests in an associate for prudent purpose, the Group suffered a heavy loss in the current year.

For the year ended 31 December 2016, the net loss margin was 30.99%, which is calculated based on loss attributable to owners of the Company divided by turnover.

III. Expenditures

For the year ended 31 December 2016, the three categories of expenses amounted to RMB1,857 million, increased by RMB205 million or 12.41% from RMB1,652 million over the same period in 2015.

Selling and distribution expenses: For the year ended 31 December 2016, selling and distribution expenses amounted to RMB754 million, decreased by RMB19 million or 2.46% from RMB773 million over the same period in 2015. The decrease was mainly attributable to the falling sales volume and the fact that the Group strengthened logistics management and kept promoting the guideline of cost reduction and efficiency improvement, which resulted in the reduction of freight, warehousing and storage charges year on year.

Administrative expenses: For the year ended 31 December 2016, administrative expenses amounted to RMB763 million, increased by RMB158 million or 26.12% compared to RMB605 million for the year ended 31 December 2015. This was mainly due to the fact that Sinochem Changshan, a subsidiary of the Group, undertook projects for technical reform and maintenance for the new production equipment, and its depreciation was included in administrative expenses during the shutdown.

Finance costs: For the year ended 31 December 2016, finance costs amounted to RMB340 million, increased by RMB66 million or 24.09% from RMB274 million over 2015, which was attributable to increased borrowings during 2016.

IV. Other Income and Gains

For the year ended 31 December 2016, the Group's other income and gains amounted to RMB234 million, decreased by RMB124 million or 34.64% from RMB358 million over the same period in 2015. This was mainly attributable to the fact that financial investment scale decreased and insurance claim received declined, compared with the corresponding period in the previous year.

V. Other Expenses and Losses

For the year ended 31 December 2016, the Group's other expenses and losses amounted to RMB3,311 million, increased by RMB3,206 million from RMB105 million over the corresponding period in 2015. This was mainly attributable to the impairment loss of RMB3,194 on property, plant and equipment and interests in an associate.

VI. Inventory

The inventory balance of the Group as at 31 December 2016 amounted to RMB4,475 million, decreased by RMB1,837 million or 29.10% from RMB6,312 million as at 31 December 2015. The Group continued to strengthen the connection between procurement and sales and downsize the inventory scale. However, the revenue in 2016 decreased from the corresponding period of 2015, and therefore the inventory turnover days increased from 90 days in 2015 to 132 days*(Note)* in 2016.

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

VII. Trade and Bills Receivables

The balance of the Group's trade and bills receivables as at 31 December 2016 amounted to RMB153 million, decreased by RMB195 million or 56.03% from RMB348 million as at 31 December 2015, which was mainly due to that the Group strictly controlled the risk and scale of credit, resulting in the decrease in the balance of trade and bills receivables as at 31 December 2016 over that as at 31 December 2015.

Both the turnover and the balance of trade and bills receivables of the Group decreased year on year, and the trade and bills receivables turnover day was 6 days*(Note)* in 2016, 5 days faster than 11 days in 2015.

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

VIII. Interests in Joint Ventures

As at 31 December 2016, the balance of the Group's interests in joint ventures amounted to RMB374 million, decreased by RMB207 million or 35.63% from RMB581 million as at 31 December 2015, which was mainly due to the fact that joint ventures suffered losses as a result of weak market, and the Group sold its 25% stake in Three-Circles Sinochem Mosaic Fertilizer Co., Ltd. ("Sinochem-Mosaic"). In particular, the share of results of Three Circles-Sinochem was a loss of RMB99 million calculated by equity method, and its interests in joint ventures was reduced by RMB103 million after selling its shares of Sinochem-Mosaic.

IX. Interests in Associates

The balance of the Group's interests in associates as at 31 December 2016 amounted to RMB8,707 million, decreased by RMB2,867 million or 24.77% from RMB11,574 million as at 31 December 2015. Among them, the share of results of Yangmei Pingyuan was a loss of RMB22 million, and the share of results of Qinghai Salt Lake Industry Co., Ltd. ("Qinghai Salt Lake") was RMB8 million. Qinghai Salt Lake was listed on Shenzhen Stock Exchange (stock code: 000792), and was mainly engaged in chemical raw materials and chemical products manufacturing. It is currently the biggest production base of the Chinese potash industry, and also one of the Group's important potash suppliers. The Group held 381 million shares of Qinghai Salt Lake with a market fair value of RMB7,267 million. The Group established solid strategic partnerships with Qinghai Salt Lake, and consistently explored opportunities of business corporation in broader areas.

The Group re-assessed the recoverable amount of the interest in Qinghai Salt Lake. The recoverable amount was estimated with reference to the investment's value-in-use which is derived by estimating the Group's share of the present value of the estimated future cash flows expected to be generated by Qinghai Salt Lake. The key assumption for the value-in-use calculations are those regarding the discount rate, growth rate and expected changes to revenue and direct costs used in the cash flow forecasts. In recent years, the potash business of Qinghai Salt Lake maintained a stable profitability, but its chemicals projects under trial production would cause uncertainties to the future performance of Qinghai Salt Lake. Therefore, the value-in-use of Qinghai Salt Lake is lower than its carrying amount, an impairment loss amounting to RMB2,830 million was recognized by the Group as at 31 December 2016. After the above impairment loss was recognised, interests in Qinghai Salt Lake was RMB8,216 million, accounting for 35.93% of the Group's total assets.

X. Available-For-Sale Investments

As at 31 December 2016, the balance of the Group's available-for-sale investments amounted to RMB498 million, decreased by RMB21 million or 4.05% from RMB519 million as at 31 December 2015. The stock price of China XLX Fertiliser Limited held by the Group decreased as at 31 December 2016, which led to a decrease of RMB21 million in available-for-sale investments.

XI. Interest-Bearing Liabilities

As at 31 December 2016, the Group's interest-bearing liabilities amounted to RMB6,033 million, decreased by RMB241 million or 3.84% from RMB6,274 million as at 31 December 2015. In particular,

(1) Borrowings

As at 31 December 2016, the balance of the Group's borrowings amounted to RMB4,033 million, including a corporate bond with an aggregate principal amount of RMB2.5 billion with a maturity of 10 years and a medium-term notes in an amount of RMB1 billion with a term of three years. The balance decreased by RMB241 million or 5.64% from RMB4,274 million as at 31 December 2015.

(2) Short-Term Commercial Paper

(i) The Group issued a 267-day commercial paper of RMB1 billion with an interest rate of 2.90% per annum on 19 August 2016, and

(ii) The Group issued a 266-day commercial paper of RMB1 billion with an interest rate of 2.90% per annum on 24 August 2016.

XII. Trade and Bills Payables

As at 31 December 2016, the balance of the Group's trade and bills payables amounted to RMB4,575 million, decreased by RMB1,422 million or 23.71% from RMB5,997 million as at 31 December 2015. The decrease of trade and bills payables was mainly attributable to the fact that the Group kept tight control over the size of trade payables in foreign currency to guard against the risk of RMB depreciation in 2016.

XIII. Other Financial Indicators

The Group uses earnings per share and ROE to evaluate profitability, current ratio and debt-to-equity ratio to evaluate solvency, and the trade and bills receivables turnover days and inventory turnover days to evaluate operating capacity (see the inventory and trade and bills receivables part of Management's Discussion and Analysis). By analyzing financial index such as profitability, liquidity and capital adequacy as well as operating capacity, financial standing and operating results can be fully summarized and evaluated, the performance of the management can be effectively assessed and the maximum interest of the owners of the Group can be achieved. Basic losses per share for the year ended 31 December 2016 amounted to RMB0.6600 and return on equity (ROE) for the year ended 31 December 2016 was –43.26%, both lower than those in 2015, which was mainly due to the slumping fertilizer market, decline of product margin, and write-down of property, plant and equipment and interests in an associate for prudent purpose in 2016.

Table 3:

	2016	2015
Profitability		
(Losses)/Earnings per share (RMB) *(Note 1)*	**(0.6600)**	0.0314
ROE *(Note 2)*	**(43.26%)**	1.70%

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

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

As at 31 December 2016, the Group's current ratio was 0.73, and the debt-to-equity ratio was 72.96%. Despite of the lower current ratio, the Group enjoyed relatively high banking facilities, was rated BBB+ by Fitch Ratings and had diversified fund-raising methods. The Group maintained a stable financial structure through actively taking operating measures in the sluggish fertilizer market.

Table 4:

	As at 31 December	
	2016	2015
Liquidity and Capital adequacy		
Current ratio *(Note 1)*	**0.73**	0.79
Debt-to-Equity ratio *(Note 2)*	**72.96%**	47.98%

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

Note 2: Calculated based on interest-bearing debt divided by total equity as at the end of the reporting period.

XIV. Liquidity and Financial Resources

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

As at 31 December 2016, cash and cash equivalents of the Group amounted to RMB972 million, which was mainly denominated in RMB and US dollar.

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

Table 5:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Bank loans, unsecured	**–**	673,430
Short-term commercial paper	**2,000,000**	2,000,000
Borrowings from Sinochem Group	**–**	200,000
Borrowings from Sinochem Finance Co., Ltd.	**540,000**	60,000
Borrowings from Sinochem Hong Kong (Group) Co., Ltd.	**–**	850,000
Bonds		
Principal amount	**3,500,000**	2,500,000
Less: unamortized transaction costs	**(6,815)**	(9,165)
Total	**6,033,185**	6,274,265

Table 6:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Carrying amount repayable		
Within one year	**2,540,000**	3,583,430
More than one year, but within five years	**3,493,185**	2,690,835
Total	**6,033,185**	6,274,265

Table 7:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Fixed-rate borrowings	**6,033,185**	5,924,265
Variable-rate borrowings	**–**	350,000
Total	**6,033,185**	6,274,265

As at 31 December 2016, the Group had banking facilities equivalent to RMB24,977 million, including US$1,555 million and RMB14,190 million, respectively. The unutilized banking facilities amounted to RMB20,917 million, including US$1,422 million and RMB11,051 million, respectively.

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

XV. Operation and Financial Risks

The Group's major operation risks include the following: the world economy remained sluggish and faced with great uncertainty; due to oversupply in the domestic fertilizer market, fertilizer price was still at a relatively low level; with the resumption of value-added tax, the preferential rail freight for fertilizer phased out and environmental protection requirements more strict, the pressure from industrial restructuring and competition was further increased. Those are big challenges for the Group's production and management, and the performance of the Group declined over the previous year. Facing a severe market environment, the Group actively took measures to deal with the significant changes in business environment. On one hand, the Group promoted strategic transformation, conducted a series of organizational reform and resource integration, and optimized production structure; on the other hand, the Group vigorously developed agricultural distribution network, improved operational efficiency, enhanced overall competitiveness, and reduced the unfavourable impact of operating risk on financial performance of the Group.

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

Market risk

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

Majority of the Group's assets, liabilities and transactions are denominated in RMB, US dollar and Hong Kong dollar. Due to the presence of a certain scale of import and export business of the Group, the exchange rate fluctuations will have an impact on the cost of import and export prices, the management of the Group adopted prudent foreign exchange forward measures all the time and continued to monitor and control the above risks so as to mitigate the potential negative impact on the Group's financial performance.

Credit risk

The biggest credit risk of the Group was subject to that the counterparties might fail to carry out their obligations with regard to the book value of all types of financial assets confirmed and recorded in the comprehensive financial statement by counterparties on 31 December 2016. Once the management about credit risks is missing, bad debt losses may affect the normal running of the Group as a result of uncollectible accounts and unavailable inventory after advance payment. The Group had adequate monitoring procedures and corresponding measures in respect of granting credit, credit approval and other related aspects, reinforced credit process monitoring, investigated overdue risks and paid close attention to the production and operation activities of credit customers, attached higher importance to strategic and core customers and suppliers and allocated more credit resources to products with higher profit margin so as to ensure the timely follow-up of overdue debt; meanwhile, the Group checked individual trade loan recoveries at every settlement date to ensure adequate bad debt provision of unrecoverable accounts so as to mitigate the credit risk.

Liquidity risk

Liquidity risk may lead to inadequate capital to meet the demand of daily working capital and repayment of maturing debt. Therefore, the Group took the following measures:

Regarding the management of liquidity risk, the management strengthened position management of ready cash, forecasted and strictly executed fund plan to monitor and keep enough cash and cash equivalents, increased the scale of advance received in sales season to maintain adequate operating cash flow; reasonably allocating short-and-long-term demand and seized the opportunities of lower market interest rates by issuing RMB1 billion of medium-term notes and RMB3 billion of short-term commercial paper, optimized capital structure to meet the demand of working capital and repayment of matured bonds.

XVI. Contingent Liabilities

As at 31 December 2016, the Group had no contingent liabilities.

XVII. Capital Commitment

Table 8:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Contracted but not provided for		
– Property, plant and equipment	**75,917**	46,017
Authorized but not contracted for		
– Property, plant and equipment	**331,399**	546,315
– Investments in an associate and others	**500,000**	300,000
Total	**907,316**	892,332

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

XVIII. Material Investments

During the reporting year ended 31 December 2016, the Group had no material investments.

XIX. Human Resources

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

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

The Group reviews its remuneration policy annually and engages professional consultant, if necessary, to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 31 December 2016, the Group had about 6,240 full-time employees (including those employed by the Group's subsidiaries), and their remuneration is determined with reference to market rates. No individual employee shall have the right to determine his/her own remuneration.

In addition to the basic remuneration, the Group also value the importance of training and career development of employees. In 2016, the Group provided 2,930 person-times or 27,610 hours of training (any training organized by the subsidiaries have not been included in these numbers). The training courses covered areas such as industrial development, leadership enhancement, marketing management, operation and management, laws and regulations, lean management, project management, finance, logistics, human resource management, information technology, safe production and general working skills. These training will further improve the management skills and professional standards of the management of the Group and enhance the overall quality of the employees to cater to the Group's rapid developments, and improve the competitiveness of the Group.

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

The board of directors (the "Board") of Sinofert Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016, together with the comparative figures for prior year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	**2016** *RMB'000*	2015 *RMB'000*
Turnover	*3(a)*	**14,959,092**	26,121,488
Cost of sales		**(14,717,930)**	(24,452,400)
Gross profit		**241,162**	1,669,088
Other income and gains	*4*	**233,642**	357,651
Selling and distribution expenses		**(754,393)**	(772,787)
Administrative expenses		**(763,270)**	(605,332)
Other expenses and losses		**(3,310,574)**	(105,411)
Share of results of associates		**(8,290)**	32,220
Share of results of jointly ventures		**(101,706)**	48,818
Finance costs	*5*	**(339,645)**	(274,098)
Loss on disposal of a joint venture		**(14,731)**	–
(Loss)/Profit before taxation	*6*	**(4,817,805)**	350,149
Income tax	*7*	**(4,621)**	(147,602)
(Loss)/Profit for the year		**(4,822,426)**	202,547
(Loss)/Profit for the year attributable to:			
– Owners of the Company		**(4,635,885)**	220,855
– Non-controlling interests		**(186,541)**	(18,308)
		(4,822,426)	202,547

	Note	2016 RMB'000	2015 RMB'000
(Loss)/Profit for the year		**(4,822,426)**	202,547
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**112,306**	206,898
Changes in fair value of available-for-sale investments		**(20,603)**	38,554
Other comprehensive income for the year		**91,703**	245,452
Total comprehensive (expense)/income for the year		**(4,730,723)**	447,999
Total comprehensive (expense)/income attributable to:			
– Owners of the Company		**(4,544,182)**	466,307
– Non-controlling interests		**(186,541)**	(18,308)
		(4,730,723)	447,999
(Losses)/Earnings per share			
Basic (RMB)	9	**(0.6600)**	0.0314
Diluted (RMB)	9	**(0.6600)**	0.0314

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

		As at 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**3,427,768**	3,876,167
Lease prepayments		**500,736**	513,844
Mining rights		**611,367**	643,673
Goodwill		**849,966**	829,752
Other long-term assets		**12,051**	10,202
Interests in associates	*13*	**8,707,156**	11,574,427
Interests in joint ventures		**374,004**	581,436
Available-for-sale investments		**498,437**	519,040
Advance payments for acquisition of property, plant and equipment		**19,787**	29,077
Deferred tax assets		**32,960**	44,740
		15,034,232	18,622,358
Current assets			
Inventories	*10*	**4,475,018**	6,312,327
Trade and bills receivables	*11*	**152,982**	348,097
Other receivables and advance payments		**1,546,933**	1,131,386
Loans to an associate		**670,000**	670,000
Lease prepayments		**13,810**	13,810
Other deposits		**–**	1,200
Bank balances and cash		**972,118**	639,851
		7,830,861	9,116,671
Current liabilities			
Trade and bills payables	*12*	**4,574,711**	5,997,402
Other payables and receipt in advance		**3,603,543**	1,993,382
Interest-bearing borrowings – due within one year		**540,000**	1,583,430
Short-term commercial paper		**2,000,000**	2,000,000
Tax liabilities		**11,052**	11,429
		10,729,306	11,585,643
Net current liabilities		**(2,898,445)**	(2,468,972)
Total assets less current liabilities		**12,135,787**	16,153,386

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Non-current liabilities		
Interest-bearing borrowings		
– due after one year	**3,493,185**	2,690,835
Deferred income	**105,253**	107,125
Deferred tax liabilities	**220,648**	234,669
Other long-term liabilities	**47,128**	44,836
	3,866,214	3,077,465
NET ASSETS	**8,269,573**	13,075,921
CAPITAL AND RESERVES		
Issued equity	**8,267,384**	8,267,384
Reserves	**140,127**	4,759,933
Total equity attributable to owners of the Company	**8,407,511**	13,027,317
Non-controlling interests	**(137,938)**	48,604
TOTAL EQUITY	**8,269,573**	13,075,921

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

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

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements for the year ended 31 December 2016 comprise the Group and the Group's interest in associates and joint ventures.

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

– financial instruments classified as available-for-sale securities

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The accounting policies used in the consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2015.

3. TURNOVER AND SEGMENT REPORTING

(a) Turnover

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

	2016	2015
	RMB'000	*RMB'000*
Potash Fertilizer	**3,629,552**	5,846,791
Nitrogen Fertilizer	**2,610,677**	6,481,523
Compound Fertilizer	**3,981,643**	6,485,623
Phosphate Fertilizer	**3,371,433**	5,678,588
MCP/MDCP	**775,542**	776,999
Others	**590,245**	851,964
	14,959,092	26,121,488

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

(b) Segment reporting

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

Marketing: sourcing and distribution of fertilizers and related products

Production: production and sales of fertilizers

(i) Segment results, assets and liabilities

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

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

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

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

- All liabilities are allocated to operating segments other than deferred tax liabilities, interest-bearing borrowings, short-term commercial paper and other unallocated liabilities.

2016	Marketing *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue				
External revenue	**13,423,666**	**1,535,426**	**–**	**14,959,092**
Internal revenue	**762,827**	**2,068,834**	**(2,831,661)**	**–**
Segment revenue	**14,186,493**	**3,604,260**	**(2,831,661)**	**14,959,092**
Segment gross profit	**137,487**	**103,675**	**–**	**241,162**
Segment loss	**(507,005)**	**(3,830,487)**	**–**	**(4,337,492)**
Share of results of associates	**944**	**(9,234)**	**–**	**(8,290)**
Share of results of joint ventures	**2,684**	**(104,390)**	**–**	**(101,706)**
Unallocated expenses				**(76,717)**
Unallocated income				**46,045**
Finance costs				**(339,645)**
Loss before taxation				**(4,817,805)**
Assets				
Segment assets	**6,727,528**	**5,671,921**	**–**	**12,399,449**
Interests in associates	**4,604**	**8,702,552**	**–**	**8,707,156**
Interests in joint ventures	**60,939**	**313,065**	**–**	**374,004**
Available-for-sale investments				**498,437**
Deferred tax assets				**32,960**
Other unallocated assets				**853,087**
Consolidated total assets				**22,865,093**
Liabilities				
Segment liabilities	**6,855,437**	**1,372,805**	**–**	**8,228,242**
Deferred tax liabilities				**220,648**
Interest-bearing borrowings				**4,033,185**
Short-term commercial paper				**2,000,000**
Other unallocated liabilities				**113,445**
Consolidated total liabilities				**14,595,520**

2015	Marketing *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue				
External revenue	24,338,972	1,782,516	–	26,121,488
Internal revenue	1,321,926	3,618,542	(4,940,468)	–
Segment revenue	25,660,898	5,401,058	(4,940,468)	26,121,488
Segment gross profit	1,096,495	572,593	–	1,669,088
Segment profit/(loss)	534,937	(2,047)	–	532,890
Share of results of associates	1,003	31,217	–	32,220
Share of results of joint ventures	3,070	45,748	–	48,818
Unallocated expenses				(87,329)
Unallocated income				97,648
Finance costs				(274,098)
Profit before taxation				350,149
Assets				
Segment assets	7,644,690	6,541,244	–	14,185,934
Interests in associates	4,218	11,570,209	–	11,574,427
Interests in joint ventures	58,256	523,180	–	581,436
Available-for-sale investments				519,040
Deferred tax assets				44,740
Other unallocated assets				833,452
Consolidated total assets				27,739,029
Liabilities				
Segment liabilities	6,859,177	1,218,067	–	8,077,244
Deferred tax liabilities				234,669
Interest-bearing borrowings				4,274,265
Short-term commercial paper				2,000,000
Other unallocated liabilities				76,930
Consolidated total liabilities				14,663,108

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

2016	**Marketing** *RMB'000*	**Production** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Amounts included in the measures of segment loss and segment assets:				
Additions to non-current assets	**9,716**	**290,358**	**7**	**300,081**
Write-down of trade receivables	**(78)**	**(238)**	**–**	**(316)**
Write-down of other receivables and advance payments	**(19,765)**	**(1,168)**	**–**	**(20,933)**
Reversal of collectible receivables	**–**	**197**	**–**	**197**
Impairment loss on property, plant and equipment	**–**	**(363,656)**	**–**	**(363,656)**
Impairment loss on interests in associates	**–**	**(2,830,000)**	**–**	**(2,830,000)**
Depreciation and amortization	**(9,202)**	**(393,426)**	**(13)**	**(402,641)**
Release of lease prepayments	**–**	**(13,108)**	**–**	**(13,108)**
Write-down of inventories	**(44,977)**	**(14,404)**	**–**	**(59,381)**
Loss on disposal of property, plant and equipment	**(1,985)**	**(2,663)**	**–**	**(4,648)**
Write-off of payables	**2,968**	**731**	**–**	**3,699**

2015	Marketing *RMB'000*	Production *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measures of segment profit/(loss) and segment assets:				
Additions to non-current assets	20,563	424,478	5	445,046
Write-down of trade receivables	–	(5,735)	–	(5,735)
Write-down of other receivables and advance payments	–	(13,511)	–	(13,511)
Reversal of collectible receivables	–	9,488	–	9,488
Impairment loss on property, plant and equipment	–	(28,216)	–	(28,216)
Depreciation and amortization	(10,655)	(327,800)	(14)	(338,469)
Release of lease prepayments	–	(13,203)	–	(13,203)
Write-down of inventories	(31,255)	(3,630)	–	(34,885)
Loss on disposal of property, plant and equipment	(73)	(285)	–	(358)
Write-off of payables	4,256	3,194	–	7,450

(iii) Geographical information

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

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

	Revenue from external customers		**Non-current assets**	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC	**13,891,389**	24,564,894	**14,498,798**	18,054,864
Others	**1,067,703**	1,556,594	**4,037**	3,714
	14,959,092	26,121,488	**14,502,835**	18,058,578

4. OTHER INCOME AND GAINS

	2016	2015
	RMB'000	*RMB'000*
Rental income	**5,990**	5,197
Dividend income from available-for-sale investments	**4,287**	3,044
Interest income	**105,916**	138,488
Interest income from an associate	**36,046**	41,891
Government grants	**7,442**	26,733
Foreign exchange gain	**–**	43,416
Sales of semi-product, raw materials and scrapped materials	**6,018**	8,400
Release of deferred income	**8,332**	10,763
Insurance claims received	**18,837**	43,061
Write-off of payables	**3,699**	7,450
Others	**37,075**	29,208
	233,642	357,651

5. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest on borrowings	**344,087**	298,182
Less: interest expense capitalized *(note)*	**(4,442)**	(24,084)
	339,645	274,098

Note: The capitalization rates used to determine the amount of borrowing costs eligible for capitalization related to construction of production lines are 5.00% (2015: 5.45%) for the year ended 31 December 2016.

6. (LOSS)/PROFIT BEFORE TAXATION

	2016	2015
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**364,683**	300,494
Release of lease prepayments	**13,108**	13,203
Amortization of mining rights	**32,306**	32,311
Amortization of other long-term assets	**5,652**	5,664
Loss on disposal of property, plant and equipment	**4,648**	358
Loss on disposal of an associate	**–**	57
Loss on disposal of a joint venture	**14,731**	–
Write-down of trade receivables	**316**	5,735
Write-down of other receivables and advanced payments	**20,933**	13,511
Write-down of inventories	**59,381**	34,885
Impairment loss on property, plant and equipment	**363,656**	28,216
Impairment loss on interests in associates *(note 13)*	**2,830,000**	–
Reversal of collectible receivables	**(197)**	(9,488)
Foreign exchange loss	**7,745**	–

7. INCOME TAX

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

	2016	2015
	RMB'000	*RMB'000*
Provision for the year		
PRC Enterprise Income Tax	**(6,155)**	(3,216)
Under – provision in prior years		
PRC Enterprise Income Tax	**(707)**	(2,653)
Deferred tax		
Origination and reversal of temporary differences	**2,241**	(141,733)
	(4,621)	(147,602)

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

(ii) The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year.

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

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

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

	2016	2015
	RMB'000	*RMB'000*
(Loss)/Profit before taxation	**(4,817,805)**	350,149
Tax calculated at the applicable tax rate of 25%	**1,204,451**	(87,537)
Effect of different income tax rates	**52,589**	50,009
Tax effect of non-deductible expenses	**(15,626)**	(9,850)
Tax effect of non-taxable income	**335**	407
Tax effect of share of results of associates	**(2,073)**	8,055
Tax effect of share of results of joint ventures	**(25,427)**	12,205
Effect of prior year's tax losses and deductible temporary differences utilized during the year	**2,704**	4,881
Effect of tax losses and deductible temporary difference not recognized	**(1,220,867)**	(24,211)
Effect of write-down of deferred tax assets recognized in previous years	**–**	(98,908)
Under-provision in prior years	**(707)**	(2,653)
Income tax expense for the year	**(4,621)**	(147,602)

8. **DIVIDENDS**

	2016	2015
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.0097, equivalent to approximately RMB0.0081 per share (2015: HK$0.0104, equivalent to approximately RMB0.0082)	**59,014**	59,415
No dividend proposed after the end of the reporting period (2015: Proposed final dividend of HK$0.0097, equivalent to approximately RMB0.0081 per share)	**–**	56,898

9. **(LOSSES)/EARNINGS PER SHARE**

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

	2016	2015
	RMB'000	*RMB'000*
(Loss)/Profit attributable to owners of the Company		
(Losses)/Profits for the purpose of basic/diluted (losses)/earnings per share	**(4,635,885)**	220,855

	2016	2015
	'000 shares	*'000 shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic/diluted (losses)/earnings per share	**7,024,456**	7,024,456

10. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Fertilizer merchandise and finished goods	**4,016,472**	5,803,944
Raw materials	**361,912**	395,300
Work in progress	**51,228**	62,422
Consumables	**45,406**	50,661
	4,475,018	6,312,327

11. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**60,581**	76,572
Less: allowance for doubtful debts	**(7,937)**	(7,774)
	52,644	68,798
Bill receivables	**100,338**	279,299
Total trade and bill receivables	**152,982**	348,097

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

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**137,119**	285,558
More than 3 months, but within 6 months	**10,974**	33,091
More than 6 months, but within 12 months	**736**	1,914
Over 12 months	**4,153**	27,534
	152,982	348,097

12. TRADE AND BILLS PAYABLES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade payables	**3,406,708**	4,614,655
Bills payables	**1,168,003**	1,382,747
Trade and bills payables	**4,574,711**	5,997,402

As at 31 December 2016, the aging analysis of trade and bills payables presented based on the invoice date is as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**3,635,023**	4,501,446
More than 3 months, but within 6 months	**658,107**	1,318,698
More than 6 months, but within 12 months	**86,081**	21,854
Over 12 months	**195,500**	155,404
	4,574,711	5,997,402

13. INTERESTS IN ASSOCIATES

	2016	2015
	RMB'000	*RMB'000*
At the end of reporting period, cost of investment in associates:		
– Listed in the PRC	**4,886,066**	4,886,066
– Unlisted	**391,429**	391,429
Goodwill	**5,122,018**	5,122,018
Share of profits, net of dividends	**1,137,643**	1,174,914
Less: impairment loss *(note)*	**(2,830,000)**	–
	8,707,156	11,574,427
Fair value of listed investments	**7,266,668**	9,785,424

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

Note: Consistent with the accounting policies of the Company, the directors first re-assessed the recoverable amount of the interest in Qinghai Salt Lake Industry Co., Ltd. ("Qinghai Salt Lake"). The recoverable amount was estimated with reference to the investment's value-in-use, which is derived by estimating the Group's share of the present value of the estimated future cash flows expected to be generated by Qinghai Salt Lake. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rate and expected changes to revenue and direct costs used in the cash flow forecasts. Changes in revenue and direct costs are based on historical experience and expectations of future changes in the market. The directors of the Company estimated discount rates using pre-tax rates that reflect current market assessment of the time value of money and the risks specific relating to Qinghai Salt Lake. The key assumptions used in the value-in-use calculation for Qinghai Salt Lake include the point in time of the chemical production lines are ready for use, the expected utilization rate of the chemical production lines and the estimated discount rates which ranged from 10% to 13.9%. Since the value-in-use of Qinghai Salt Lake is lower than its carrying amount, an impairment loss amounting to RMB2,830 million was recognized by the Group at 31 December 2016.

FINAL DIVIDEND

The Board did not recommend the declaration of a final dividend for the year ended 31 December 2016 (2015: Final dividend of HK$0.0097 per share, equivalent to approximately RMB0.0081 per share).

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

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) comprises three members, including Mr. Tse Hau Yin, Aloysius as Chairman, Mr. Lu Xin and Mr. Ko Ming Tung, Edward as members, all of whom are Independent Non-executive Directors of the Company.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, financial control, internal controls system, risk management and financial reporting matters including the review of the consolidated financial statements of the Company for the year ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and its amendments from time to time as its own code of conduct regarding securities transaction by Directors. Having made specific enquiries with all Directors of the Company, all Directors confirmed through a confirmation that they had complied with the required standards set out in the Model Code throughout the year ended 31 December 2016.

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

CORPORATE GOVERNANCE STANDARDS

Recognizing the importance of a publicly listed company’s responsibilities to enhance its transparency and accountability, the Company is committed to maintaining a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practices on corporate governance.

The Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules (the "Corporate Governance Code") sets out the principles of good corporate governance, and two levels of recommendations: (a) code provisions; and (b) recommended best practices. It also includes the mandatory disclosure requirements and recommended disclosures in respect of corporate governance for listed companies. For the year ended 31 December 2016 and up to the date of this announcement, the Company has complied with the applicable code provisions set out in the Corporate Governance Code, except for the deviations from the code provisions E.1.2 as described below.

The code provision E.1.2 provides that, among others, the chairman of the board should attend the annual general meeting of the listed issuer. In the annual general meeting of the Company held on 3 June 2016 (the "2016 AGM"), Mr. Ning Gao Ning, the then Chairman of the Board, did not chair the meeting due to other essential business engagements. In order to ensure smooth holding of the 2016 AGM, the Chairman of the Board authorized and the Directors attended the meeting elected Mr. Wang Hong Jun, the then Executive Director and Chief Executive Officer of the Company, to chair the meeting on behalf of the Chairman of the Board. Respective chairmen of the audit, remuneration, nomination and corporate governance committee of the Company were present at the 2016 AGM and were available to answer relevant questions, which was in compliance with other part of code provision E.1.2.

Save as disclosed above, please refer to the "Corporate Governance Report" contained in the Company's 2016 annual report for more information about the corporate governance practices of the Company to be published soon.

BOARD OF DIRECTORS

As at the date of this announcement, the Executive Directors of the Company are Mr. Qin Hengde (Chief Executive Officer) and Mr. Harry Yang; the Non-executive Directors of the Company are Mr. Zhang Wei (Chairman), Mr. Yang Lin, Dr. Stephen Francis Dowdle and Ms. Xiang Dandan; and the Independent Non-executive Directors of the Company are Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius.

For and on behalf of the Board of
SINOFERT HOLDINGS LIMITED
Qin Hengde
Executive Director and Chief Executive Officer

Hong Kong, 30 March 2017

* *For identification purposes only*