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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 2017**

FINANCIAL HIGHLIGHTS

- The Group's revenue was RMB17,644 billion, increased by 17.95% year on year
- Loss attributable to owners of the Company for the year was RMB2,208 million (2016: RMB4,636 million)
- Basic loss per share for the year was RMB0.3143 (2016: RMB0.6600)
- The Board did not recommend a final dividend for the year ended 31 December 2017 (2016: Nil) to shareholders

CHAIRMAN'S STATEMENT

To the 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 2017 to all the shareholders.

In 2017, the fertilizer industry continued to be challenged by excess capacity and intensified competition, yet the sign of a gradual recovery was achieved with the efforts in agricultural supply-side structural reform. The Group was steadfast in carrying out its strategies set forth at the beginning of the year by actively adopting effective measures and grasping market opportunities. As a result, satisfactory progress was made in all work fronts. During the year the Group re-organized its internal structure by integrating various straight fertilizer departments into the Basic Fertilizers Division, and all fertilizer units for agricultural use into the Distribution Division. Meanwhile, all the branch companies were restructured into trading and distribution according to the classification of the customers being served by each division, so as to implement specialized channel building for different target markets. The Basic Fertilizers Division focused on core suppliers, carried out strategic procurement, and at the same time set up a direct selling system for straight fertilizers to increase the ratio of direct selling. In 2017, sales volume attributable to the Basic Fertilizers Division increased by 9%, achieving RMB579 million in profit before tax, which is a big increase year on year. The Distribution Division consolidated the building of its 18 specialized distribution platform branches, and newly recruited 102 agrotechnicians for the agrochemical service team, whose technological service capabilities were sharpened through various agrotechnological contests. At the same time, the Group improved the synergy of the production and marketing sectors by optimizing the supply chain, streamlined the grades and specifications of strategic products, and fully promoted the DTS channel building strategy (D for distribution, T for technology promotion and S for straight service) in line with market segmentation of agricultural customers. In 2017, the sales volume of strategic products attributable to the Distribution Division increased by 75%, and the profitability of the Group's compound fertilizer factories turned to positive from being in red a year ago. Great emphasis was also attached in optimizing the operation of subsidiaries, associates and joint ventures and assets disposal, with Sinochem Yunlong Co., Ltd. achieving RMB48.81 million in profit before tax and Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd. ("Sinochem Fuling") and Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. regaining profitability. In addition, the goal for the restructuring and optimization of Sinochem Jilin Changshan Chemical Co., Ltd. was clearly defined. The Group also initiated reforms in the remuneration policy to implement the precision incentive scheme and successfully enhanced the efficiency and enthusiasm of the operating units and staff and members. In 2017, the Group's total sales volume reached 10.21 million tons, up by 12% year on year; total sales income was RMB17,644 million, up by 18% year on year and achieving a big reduction in loss.

Despite the challenges of the market, the board of directors of the Company has always adhered 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 2017 at which the Company's annual report, interim report 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, optimizing the remuneration and motivation system and perfecting corporate governance structure.

In 2018, China's fertilizer industry remains difficult, but the central government is always attaching great importance to agricultural modernization. On 4 February 2018, the latest Circular No. 1 titled "Opinion of the CPC Central Committee and the State Council on Implementing the Rural Revitalization Strategy" was officially released. The above document, which outlined the full implementation of the Rural Revitalization Strategy, is the 20th of its kind since the country's reform and opening up and the 15th of its kind since the beginning of the new century. This new national strategy will bring about important opportunities for the Group's business innovation and in-depth transformation.

During the year 2018, the Group will center on the nation's Rural Revitalization Strategy, follow the trend of agricultural supply-side reform and the rapidly changing agricultural structure, aim at structural transition and upgrading, take root in modern agriculture, keep streamlining business structure and renovating business model so as to achieve stable and sustainable growth. The Group will continue to push forward the strategy of in-depth channel building, with the Basic Fertilizers Division further consolidating the building of core supplier system, optimizing strategic procurement and strengthening team building to improve marketing abilities. Meanwhile, the Distribution Division will implement unified management of brand planning, product mix and marketing promotion strategies to streamline the product structure for agricultural-use fertilizers. It is also extremely important for the Distribution Division to vigorously push forward the DTS channel building strategy, streamline the channel levels, and forge a "business commonwealth" with core distributors. The Group will also actively explore the construction of a modern agricultural platform (MAP) for cash crop, which is a brand-new business model to farming entities of scale. Moreover, the Group will increase its input in R&D to enhance the technological level, including the building of a high standard R&D center in Linyi. More efforts will also be made to uplift the management level of the production enterprises to improve efficiency while lowering cost, speed up industrial layout readjusting through re-locating the production sites of Sinochem Fuling and Sinochem Oriental Fertilizer Co., Ltd., and constantly promote the awareness of risk control and safety management to ensure operating safety.

Last but not the least, on behalf of the board of directors, I would like to take this opportunity to extend our most sincere 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 our original mission and keep working harder to make ever greater contributions to the growth of the Group.

Zhang Wei

Chairman of the Board

Hong Kong, 28 March 2018

MANAGEMENT REVIEW AND PROSPECT

Business Environment

In 2017, global economic recovery and expansion continued and the Chinese economy maintained steady growth. Through continuous implementation of the supply-side reform, the adaptability and flexibility of the supply system continued to be promoted, and the quality of supply also continued to be improved.

In the reporting period, China's agriculture faced unprecedented opportunities for change. Under the drive of the supply-side reform, advanced production capacity was steadily developed, high-quality supplies was accelerated and backward production capacity was gradually phased out. Grain output saw a year-on-year increase of 0.3%, the production capacity remained stable and the structure was continuously optimized. With the adjustment of the agricultural planting structure, crop planting area decreased by 0.7% year on year, and the agricultural planting structure was more reasonable. China's economy moved from a high-speed growth stage to a high-quality development stage, which was a tough but critical period for transforming the development mode, optimizing the economic structure and shifting the growth momentum. China was pushing forward key agricultural policies and initiatives such as "agricultural supply-side structural reform", "new type of professional farmers across China", "crop rotation and fallow system", agricultural e-commerce, subsidy programs for crop protection drones and agricultural PPP, providing a powerful guarantee for "improving quality and efficiency in different ways; stabilizing food production and increasing income in a sustainable manner". The reform of the agricultural industry had a profound impact on the fertilizer industry, which was under tremendous pressure from transformation and upgrading as well as reform and development.

In the year 2017, the growth of global fertilizer demand slowed down, the fertilizer prices on the domestic market recovered, while excess capacity still existed. Due to the continuous implementation of environmental protection policies, the operating rate of fertilizer plants significantly decreased and fertilizer production declined compared to the same period in 2016. In terms of import and export, in spite of the zero-tariff policy on the export of nitrogen and phosphate, the competitiveness of China's fertilizer in the international market declined and the volume of imports and exports significantly decreased. With the rising price in the fertilizer industry, fertilizer producers saw better profitability. In particular, many nitrogen fertilizer enterprises turned losses into profits. However, the situation of excess capacity had not yet been completely changed, fertilizer and traditional chemical industries were still facing great pressure to survive. Domestic enterprises accelerated the transformation and upgrading one after another and expanded their presence in upstream and downstream industry chains, started to provide farmers with new agricultural comprehensive services and aimed to achieve agricultural sustainable development and green development of the fertilizer industry.

Against the backdrop of positive global economic development, in order to effectively cope with the huge market challenges and ensure the Company's leading position in the industry, the Group, under the leadership of the Board of Directors, 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 2017, the Group's revenue reached RMB17,644 million, representing a year-on-year increase of 17.95%. Loss attributable to owners of the Company amounted to RMB2,208 million, with a year-on-year decrease of RMB2,428 million.

Resource Guarantee

In 2017, Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong"), a subsidiary of the Group, optimized phosphate mining schemes and mined 332,200 tons of phosphate rock. In respect of mine construction, Sinochem Yunlong implemented the construction of capacity continuing project of 600,000 tons/year for Mozushao production as planned, built a mechanized, automated, digital and intelligent mine through such measures as compliant production outsourcing and eliminating backward production equipment, ensured the sustainable use of resources, and continuously expanded the advantages in phosphate resources, in order to further support the sustainable development of the Group's phosphate and phosphorus chemical industry.

Manufacturing

In 2017, the Group's subsidiaries, associates and joint ventures, continued to implement the basic work in production enterprises, conducted cost management, centralized procurement and quality management, implemented technological innovation, production process optimization, scientific innovation and automation building, and carried out cost reduction and efficiency improvement, further explored the potential of existing facilities and promoted the production and operation efficiency of the enterprises.

Sinochem Chongqing Fuling Chemical Co., Ltd. ("Sinochem Fuling"), a subsidiary of the Group, produced 1.05 million tons of phosphate, compound fertilizers and other products in 2017. Sinochem Fuling carried out in-depth cooperation with the Basic Fertilizers Division in off-take, seized the market opportunities, and achieved notable results in increasing income, reducing cost, and improving efficiency through implementing economic responsibility system, turning from deficits to profit.

Due to the unstable operation of its equipment, Sinochem Jilin Changshan Chemical Co., Ltd. ("Sinochem Changshan"), a subsidiary of the Group, produced 261,000 tons of urea and compound fertilizers in 2017. In order to enhance the competitiveness of its plants, make full use of its geographical advantages, and promote the compound fertilizer business, Sinochem Changshan actively adjusted its product mix and promoted the upgrading of its technology and equipment. In 2017, a 150,000-ton urea-based compound fertilizer production line was newly built and successfully put into operation at the end of the year.

Sinochem Yunlong, a subsidiary of the Group, produced 306,000 tons of Monocalcium/Dicalcium Phosphate (MDCP) in 2017. Under the principle of paying great attention to safety in production, cost reduction and efficiency improvement, and with a market orientation, Sinochem Yunlong increased its market share through continuous quality improvement and differentiated product development. Through full workflow management including production process innovation, quality control, equipment and

technological transformation, it ensured the “safe, stable, long-term, full and high-quality” operation of its plants with an average one-off pass rate of more than 99.48%, and its product quality reached an internationally advanced level.

Marketing Services

Taking into consideration the characteristics of China’s agriculture, the Group continued to lay a solid foundation for its business operation through institutional reform and business model innovation, achieved a sales volume of 10.21 million tons throughout the year, and maintained its leading market position and influence.

Potash operations: In 2017, the potash fertilizer business achieved a sales volume of 2.26 million tons and its operation scale grew by 9% year on year. The Group strengthened its strategic cooperation with core suppliers, renewed strategic cooperation agreement, and obtained domestic and overseas high-quality products. The Group further consolidated its strategic cooperation with Qinghai Salt Lake Industry Co., Ltd., with the trading volume increased substantially, and the influence of domestic potash enhanced in regions where the Group was the exclusive agency; expanded the core customer system for industrial potash, maintained a stable source of supply and in particular, guaranteed the supply of goods for its subsidiaries; strengthened information analysis, improved scientific decision-making mechanism, formulated differentiated sales strategies, and enhanced market influence; and continued to build its proprietary brand of potash for agriculture, strengthened channel customer management, optimized sources of supply and logistics arrangement, and stabilized sales volume of potash for agriculture.

Nitrogen Operations: Sales volume of nitrogen fertilizer amounted to 2.92 million tons in 2017. The overall scale of nitrogen operation was increased by 16% year on year. 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; achieved stable profit by controlling open-end products, accelerating direct sales and increasing the turnover rate against the background of more frequent fluctuations in market price; improved the stability of sales volume and profit of industrial nitrogen; 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 1.84 million tons in 2017. The overall scale of phosphate operation was increased by 2% year on year. Through scale operation, the Group constantly deepened strategic cooperation, ensured steady supply of high-quality products and gained sound profit from procurement. The Group also built the I + S symbiotic platform to link the upstream strategic suppliers and downstream core customers through consolidated customer base and business model innovation, provided comprehensive solutions centering on the pain points in demand and made contributions to the transformation and upgrading of the company. In addition, the Group introduced Meilinmei, a new phosphate product that met the demand trend, to gain market share, consolidated its leading position in domestic phosphate fertilizer trading, and achieved stable profit and customer value enhancement.

Compound Fertilizer Operations: Sales volume of compound fertilizers amounted to 2.19 million tons in 2017. The overall scale of compound fertilizer operation was increased by 33% year on year. The Group continued to deepen distribution channels, promote product upgrading, enhance technical competence and improve the coordination of production and marketing, and all the efforts paid off. Through implementing the DTS channel building strategy (D for distribution, T for technology promotion and S for straight service), the market share was further increased; through enhancing product R&D and the transformation of technological fruits, the Group's product competitiveness was increasingly strengthened; through participating in the formulation of "Chelate Fertilizer Quality Standard", which was adopted by the National Technical Committee on Fertilizers and Soil Conditioners of Standardization Administration as a national product standard, the Group's industrial influence was enhanced; the Group continuously improved the business management system in which production and marketing were coordinated and strengthened the management of routine operation, and as a result, the operating rate of production enterprises was significantly improved, the production cost was effectively managed and the product mix was optimized, which effectively ensured the rapid growth of the compound fertilizer operations.

Monocalcium/Dicalcium phosphate ("MDCP") Operations: Despite of the severe challenges such as environmental protection pressures, rising price in raw materials and capacity release from competitors, Sinochem Yunlong achieved the pre-tax profit budget through "stabilizing production, strengthening marketing, controlling procurement and reducing expenditure". Key indicators grew steadily year on year against an unfavorable backdrop. Sales volume of MDCP amounted to 300,000 tons in 2017. Meanwhile, the brand switch was successful.

The Group attached great importance to the quality enhancement of distribution channels, and continuously consolidated traditional in-depth distribution channels. By the end of 2017, the Group co-built or upgraded more than 8,500 distribution outlets across the country. Meanwhile, through continuously increasing the coverage of distribution outlets in agricultural counties and carrying out agrichemical activities such as "Sinochem Dedicating to Rural Prosperity", the Group enhanced the SINOCHEM brand awareness and product recognition among farmers.

The Group actively responded to the rural revitalization strategy put forward at the 19th Communist Party of China National Congress, conformed to the development trend of agricultural modernization in China, and enhanced the lifecycle field tracking and crop management through establishing agricultural technical service centers and developed multiple crop planting solutions. The Group focused on the promotion of applied technology of planting, provided effective guidance for professional farmers in establishing scientific fertilization concepts and skills, so as to contribute to the sound and sustainable development of modern agriculture in China. In order to implement the program of zero-growth in fertilizer consumption, the Group started from transforming fertilization methods and increasing fertilizer utilization, accelerated the implementation of water and fertilizer integration and intelligent fertilizer mixing projects, built 95 intelligent fertilizer mixing stations in 2017, which laid a solid foundation for the expansion of technology-oriented marketing and service mode.

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 paid attention to improving the risk and internal control management mechanism in line with the strategic development, conducted risk identification, assessment and response, implemented a whole-process risk alarming management mechanism and adopted corresponding measures for material risks.

In 2017, in the context of corporate management innovation, with the goal of enhancing the capacity of business divisions and under the principle of "simplification, high efficiency, clear rights and responsibilities, authorization and under control", the internal risk control at the headquarters was allocated to all basic-level departments, the primary responsibility of business units was strengthened, and new departments such as Basic Fertilizers Division and Distribution Division started to enhance their own internal control and management. Meanwhile, the Group attached high importance to enhance the universal risk control awareness, ensured that the business operations were carried out in a standard and orderly manner, further promoted the internal control system building and consolidated the fundamental work as well as met the compliance requirements from the domestic and overseas regulatory organizations through streamlining the right and responsibility system, improving the mechanism construction, optimizing the business processes and carrying out differentiated monitoring and evaluation for operation risks. 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 and autumn sowing season. In 2017, 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 type of professional farmers. By the end of 2017, more than 30,000 activities were carried out, including over 9,000 field 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 1,000 pilot demonstration fields were built and more than 30,000 copies of promotional materials were distributed, which benefited more than 1,000 villages and towns and over 2 million farmers.

In 2017, 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, the use of bio-organic fertilizers in the production of fruits, vegetables and tea instead of chemical fertilizers and green planting, etc., 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 2017, the Group fulfilled its corporate social responsibility, carried out the “Spring Breeze Action” by taking more than 50 targeted measures in poverty alleviation, launched poverty alleviation activities in Xundian County of Yunnan Province, Liaocheng City of Shandong Province, Weixian County of Hebei Province, Weichang County of Chengde City, Hebei Province and Changfeng County of Anhui Province. The Group focused on establishing and developing the self-development capability of the poverty-stricken population, and combined poverty alleviation with morale boost and wisdom improvement. The Group provided specialized agricultural technology services to the poor areas, and donated fertilizer, fertilizer application equipment and stationeries amounting to more than RMB600,000.

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 fertilizer, new farmers’ training and social agricultural comprehensive services, 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 insisted on a people-oriented policy of environmental priority, prevention in advance and comprehensive management, actively implemented clean production, continuously reduced waste emission through technological transformation, built a long-term environmental protection mechanism and constantly improved its environmental protection performance. The Group actively built an enterprise featuring intrinsic safety and environmental friendliness. In 2017, the Company fully completed its energy-saving and emission reduction targets. In particular, the emissions of SO₂, COD, NH₃-N and NO_x was down by 225.41 tons, 9.10 tons, 2.51 tons and 40.88 tons, respectively.

Outlook

With the acceleration of global economic growth and the simultaneous expansion of major economies, China will maintain its economic growth momentum in the future. Meanwhile, the Chinese government will continue to push forward the supply-side reform, and carry out five major tasks, namely, cutting overcapacity, destocking, deleveraging, reducing costs and identifying growth areas, so as to achieve sustained and steady economic and social development. At present, the internal and external environment of the agricultural industry is constantly changing, which brings about enormous challenges and opportunities. The foremost challenges include scattered agricultural production, inefficient use of technology in agricultural production, the requirement for reform in the government acquisition model to support the market price, the aging of the rural population, and the carrying capacity of the agricultural production environment. The Chinese government requires full implementation of the Rural Revitalization strategy, improvement of the Division of Three Rights of Rural Land, moderate scale operation of agriculture in various forms, and cultivation of new agricultural operation entities, and improvement of agricultural social service system so as to gradually achieve agricultural modernization in China.

China's modern agriculture is still in the early stages of development, the oversupply situation on the fertilizer market still persists, the fertilizer industry is gradually becoming centralized, backward production capacity is phased out, the number of preferential policies for the fertilizer industry is decreasing and the fertilizer industry is more and more market-oriented. With the advancement of China's agricultural supply-side reform, large-scale operation entities are emerging, new format of operation in agriculture is taking shape, and mechanization, automation and intelligence are the future development trend of agriculture. As a leading fertilizer company in China, the Group will shoulder the tasks of promoting the agricultural modernization and the sound development of the fertilizer industry in China. While consolidating and enhancing the marketing of basic fertilizers, the Group will focus on crops and products and promote the DTS strategy, and accelerate the transition from trading agents to service providers, and build a strong fertilizer distribution system. Based on a differentiated product portfolio of compound fertilizer, special fertilizer and core master batch of blended fertilizer, the Group will speed up and strengthen the building of distribution capabilities, carry out integrated operation of production and marketing, enhance comprehensive agricultural service capabilities, and provide optimal agricultural production data and high quality services to the Chinese farmers.

The Circular No. 1 of the Chinese central government in 2018 was issued and the rural rejuvenation strategy has become the direction of development for the nation and agricultural enterprises. The year of 2018 will be a year of opportunities and the market situation will continue to improve. The Group will make use of its own advantages to promote cooperation in various forms, unite the farmers to enable moderate scale farming, continue to promote zero-growth in the application of fertilizer, and develop green agriculture. Meanwhile, the Group will also further create value for the shareholders through reinvigorating the existing production capacity, integrating upstream and downstream resources, optimizing supply chain management system, enhancing operational efficiency, intensifying the ability to acquire resources and enhancing overall competitiveness.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended 31 December 2017, sales volume of the Group was 10.21 million tons and revenue was RMB17,644 million, up by 11.83% and 17.95%, respectively, over the corresponding period in 2016.

For the year ended 31 December 2017, gross profit of the Group was RMB1,372 million, up by 469.29% over the corresponding period in 2016; loss attributable to owners of the Company was RMB2,208 million. Excluding major non-recurring expenses and losses, the Company suffered a loss of RMB380 million, a reduction in loss by RMB1,062 million year-on-year.

I. OPERATION SCALE

1. Sales Volume

For the year ended 31 December 2017, sales volume of the Group was 10.21 million tons, up by 11.83% over the corresponding period in 2016. In 2017, market conditions picked up, but there was no change in the oversupply situation, the Group grasped market opportunities and reformed organizations and incentives, made inventory business consolidation and restructuring, carried out business collaboration, pooled resources to upgrade varieties and differentiated products, and greatly stimulated business vitality, which resulted in the increase of sales volume of major fertilizers compared to the previous year. Sales volume of domestically produced fertilizers amounted to 7.17 million tons, up by 15.27% year on year. Sales volume of imported fertilizers was 3.04 million tons, up by 4.47% year on year.

In terms of product mix, agricultural supply-side reform continues to promote the optimization of agricultural planting structure. As a result, sales volume of compound fertilizers, potash, nitrogen and phosphate increased by 32.73%, 9.18%, 16.33% and 2.22%, 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. Revenue

For the year ended 31 December 2017, the revenue of the Group amounted to RMB17,644 million, increased by RMB2,685 million or 17.95% year on year. The increase rate of the revenue was higher than that of sales volume (11.83%), which was mainly attributable to the rising selling price of fertilizer products, and the average selling price increased by 5.47% year on year.

Table 1:

	For the year ended 31 December			
	2017		2016	
	Revenue	As percentage of total revenue	Revenue	As percentage of total revenue
	<i>RMB'000</i>		<i>RMB'000</i>	
Potash fertilizers	3,904,676	22.13%	3,629,552	24.26%
Nitrogen fertilizers	3,573,177	20.25%	2,610,677	17.45%
Compound fertilizers	4,822,852	27.33%	3,981,643	26.62%
Phosphate fertilizers	3,573,724	20.26%	3,371,433	22.54%
Monocalcium / Dicalcium phosphate (MDCP)	776,679	4.40%	775,542	5.18%
Others	992,704	5.63%	590,245	3.95%
Total	17,643,812	100.00%	14,959,092	100.00%

3. Revenue and Results by Segment

The Group made strategic adjustment in 2017 and changed the segment division. The operating segments of the Group are divided into Basic Fertilizers Segment (sourcing and trading of straight fertilizers such as nitrogen, phosphate and potash), Distribution Segment (building of distribution channels, sourcing and selling of compound fertilizers and new type of fertilizers) and Production Segment (production and sales of fertilizers and MDCP).

The following is an analysis of the Group's revenue and results by operating segment for the year ended 31 December 2017 and for the year ended 31 December 2016. Certain comparative amounts in the segment information have been adjusted to confirm the current year's presentation:

Table 2:**2017**

	Basic Fertilizers <i>RMB'000</i>	Distribution <i>RMB'000</i>	Production <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue					
External revenue	11,182,845	4,534,380	1,926,587	–	17,643,812
Inter-segment revenue	457,668	831	1,419,806	(1,878,305)	–
Total	11,640,513	4,535,211	3,346,393	(1,878,305)	17,643,812
Segment gross profit	793,110	386,110	192,403	–	1,371,623
Segment profit / (loss)	579,158	(33,122)	(1,327,327)	–	(781,291)

2016

	Basic Fertilizers <i>RMB'000</i>	Distribution <i>RMB'000</i>	Production <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue					
External revenue	9,780,487	3,746,587	1,432,018	–	14,959,092
Inter-segment revenue	380,992	852	1,345,770	(1,727,614)	–
Total	10,161,479	3,747,439	2,777,788	(1,727,614)	14,959,092
Segment gross profit	(25,908)	226,644	40,426	–	241,162
Segment loss	(329,515)	(100,690)	(952,881)	–	(1,383,086)

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 financing cost. Such information was reported to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment.

For the year ended 31 December 2017, the external revenue increased by RMB2,685 million over 2016, which was attributable to the increase in the sales volume and selling price of fertilizer products year on year.

For the year ended 31 December 2017, the segment loss of the Group was RMB781 million. In particular, the Basic Fertilizers Segment focused on core suppliers to implement strategic procurement, and further reduced procurement cost. It also increased the direct sales to

industrial customers and explored the potential of the core customers, and made a profit of RMB579 million, a big increase compared to the loss of RMB330 million in 2016. The Distribution Segment strengthened channel construction, deepened the degree of integration, and strengthened the coordination of production and marketing, but suffered a loss of RMB33 million in 2017. Excluding major non-recurring expenses and losses, the Distribution Segment made a profit of RMB5 million, a big progress compared to the loss of RMB101 million in 2016. Production enterprises strengthened management, promoted cost reduction and efficiency improvement, expanded sales channels, and innovated logistics models to enhance their current performance. However, Sinochem Jilin Changshan Chemical Co., Ltd. (“Sinochem Changshan”), a subsidiary of the Group, whose inconsistent production led to an inversion between production cost and selling price, and suffered losses. For prudent purpose, the Group recognized the impairment loss of RMB880 million on property, plant and equipment of the Production Segment. As a result, the Production Segment suffered a loss of RMB1,327 million. Excluding major non-recurring expenses and losses, the Production Segment suffered a loss of RMB295 million which was significantly better compared to that in 2016.

II. PROFIT

1. Gross profit

For the year ended 31 December 2017, gross profit of the Group amounted to RMB1,372 million, increased by RMB1,131 million over 2016.

The Group undertook different strategies for different products. In terms of potash, the Group strengthened strategic partnership with core domestic and overseas suppliers, and secured constant and steady supply of competitive products, with a significant decline in unit cost for new potash procurement contracts signed in 2017, and as high-cost inventory dried up, potash fertilizers realized a gross profit of RMB407 million, which completely reversed the negative margin situation in 2016. Phosphate fertilizers kept stable operation, and promoted cost reduction and efficiency improvement. Due to higher market prices, its gross profit increased by four times compared to 2016. As for nitrogen fertilizer products, the sales volume and prices were both increased, and gross profit grew by four times compared to 2016. In terms of compound fertilizers, the Group continuously promoted in-depth marketing, and took full advantage of the integration of production, supply and marketing, enhanced the utilization of the production capacity, improved channel marketing, tapped terminal demands, and the gross profit was almost doubled compared to 2016.

In summary, the recovery of the fertilizer market led to the current increase in gross profit. 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 2017, the share of results of joint ventures of the Group was a profit of RMB14 million, increased by RMB116 million from a loss of RMB102 million for the corresponding period of 2016. This was mainly due to the fact that share of results of Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. (“Three Circles-Sinochem”) was a profit of RMB8 million because of the decrease in purchasing cost and the implementation of incentive system reform for better performance. The profit represents an increase of RMB107 million compared to a loss of RMB99 million in 2016,

Share of results of associates: For the year ended 31 December 2017, the share of results of associates of the Group was a loss of RMB171 million, increased by RMB163 million over the corresponding period in 2016. This was mainly attributable to the loss of Qinghai Salt Lake Industry Co., Ltd. (“Qinghai Salt Lake”), an associate of the Group. Considering the Equity Transfer Agreement signed between the Group and Sinochem Group Co., Ltd. (“Sinochem Group”) at the end of October 2017, the Group’s investment loss increased by RMB210 million compared to 2016. Excluding the impact of loss of Qinghai Salt Lake, the share of results of associates of the Group was a profit of RMB20 million for the year ended 31 December 2017.

3. Income tax

For the year ended 31 December 2017, income tax expense of the Group was RMB11 million, up by RMB6 million from RMB5 million over 2016. This was mainly due to the increase in taxable profits of various subsidiaries resulted from the market recovery in 2017.

The subsidiaries of the Group are mainly registered in Mainland China, Macao and Hong Kong, respectively, where profit tax rates vary. Among them, the tax rate of Mainland China 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 2017, loss attributable to owners of the Company was RMB2,208 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 for prudent purpose, an impairment loss on property, plant and equipment and other non-current assets of RMB968 million and a provision for onerous contract in relation to the disposal of interests in Qinghai Salt Lake of RMB711 million were recognised, which led to a heavy loss suffered by the Group for the year ended 31 December 2017.

For the year ended 31 December 2017, the net loss margin was 12.51%, which was calculated based on loss attributable to owners of the Company divided by revenue.

III. EXPENDITURES

For the year ended 31 December 2017, the three categories of expenses amounted to RMB1,981 million, increased by RMB124 million or 6.68% from RMB1,857 million over the corresponding period in 2016.

Selling and distribution expenses: For the year ended 31 December 2017, selling and distribution expenses amounted to RMB815 million, increased by RMB61 million or 8.09% from RMB754 million over the same period in 2016. The increase was mainly attributable to the fact that the Group adjusted the compensation structure for sales personnel to fully mobilize their enthusiasm, actively carried out business promotion, promoted strategic products, and improved distribution capabilities, which resulted in the increase of freight, loading and discharging, labour and publicity cost year on year.

Administrative expenses: For the year ended 31 December 2017, administrative expenses amounted to RMB825 million, increased by RMB62 million or 8.13% compared to RMB763 million for the year ended 31 December 2016. This was mainly due to the provision for personnel optimization expenditure of RMB152 million of Sinochem Changshan, a subsidiary of the Group. Excluding the impact mentioned above, administrative expenses decreased by RMB90 million or 11.80% compared to the corresponding period in 2016. This was mainly due to institutional reforms and the streamlining of functional departments and personnel of the Group.

Finance costs: For the year ended 31 December 2017, finance costs amounted to RMB341 million, which was basically the same as the RMB340 million for the year ended 31 December 2016.

IV. OTHER INCOME AND GAINS

For the year ended 31 December 2017, the Group's other income and gains amounted to RMB241 million, increased by RMB7 million or 2.99% from RMB234 million over the same period in 2016. This consisted of interest income, government subsidy income and sales of semi-product, raw materials and scrapped materials.

V. OTHER EXPENSES AND LOSSES

For the year ended 31 December 2017, the Group's other expenses and losses amounted to RMB1,743 million, decreased by RMB1,568 million from RMB3,311 million over the corresponding period in 2016. This was mainly attributable to the impairment loss of RMB2,830 million on the interests in Qinghai Salt Lake and RMB364 million on property, plant and equipment. For prudent purpose, the Group recognized the impairment loss of RMB968 million on property, plant and equipment and other non-current assets, and a provision for onerous contract in relation to the disposal of interests in an associate – Qinghai Salt Lake, which amounted to RMB711 million.

VI. INVENTORY

As at 31 December 2017, the inventory balance of the Group amounted to RMB5,433 million, increased by RMB958 million or 21.41% from RMB4,475 million as at 31 December 2016. The Group continued to strengthen the connection between procurement and marketing and downsize the inventory scale. However, the Group expanded the business scale in 2017, and made corresponding procurement to cope with the arrival of the sales season at the end of the year. At the same time, inventory turnover was sped up, and the inventory turnover days decreased from 132 days in 2016 to 110 days^(Note) in 2017.

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

As at 31 December 2017, the balance of the Group's trade and bills receivables amounted to RMB236 million, increased by RMB83 million or 54.25% from RMB153 million as at 31 December 2016, which was mainly due to that the increase in sales settled by bank notes resulted in an increase in the balance of trade and bills receivables at the end of the year compared to the end of 2016.

The average balance of trade and bills receivables of the Group was RMB195 million, decreased by RMB56 million or 22.37% year on year. This was mainly due to that the Group prevented credit risk and strictly controlled the scale of credit. The trade and bills receivables turnover day was 4 days^(Note) in 2017, 2 days faster than 6 days in 2016.

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 2017, the balance of the Group's interests in joint ventures amounted to RMB386 million, increased by RMB12 million or 3.21% from RMB374 million as at 31 December 2016, which was mainly due to the fact that the fertilizer market was picking up in 2017, and the performance of joint ventures was improved. In particular, the share of results of Three Circles-Sinochem was a profit of RMB8 million calculated by equity method, the share of results of Gansu Wengfu Chemical Co., Ltd. was a profit of RMB5 million.

IX. INTERESTS IN ASSOCIATES

As at 31 December 2017, the balance of the Group's interests in associates amounted to RMB510 million, decreased by RMB8,197 million or 94.14% from RMB8,707 million as at 31 December 2016. Among them, the share of results of Yangmei Pingyuan Chemical Co., Ltd. was a profit of RMB15 million, and the share of results of Qinghai Salt Lake was a loss of RMB191 million. Qinghai Salt Lake was listed on Shenzhen Stock Exchange (stock code: 000792), and was mainly engaged in potash fertilizers 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 signed the Equity Transfer Agreement with Sinochem Group on 24 October 2017, and transferred all 381 million shares of Qinghai Salt Lake shares to Sinochem Group, and classified investment in Qinghai Salt Lake from interests in associates to assets held for sale, which led to a decrease of RMB8,017 million in the Group's interests in associates.

X. AVAILABLE-FOR-SALE INVESTMENTS

As at 31 December 2017, the balance of the Group's available-for-sale investments amounted to RMB447 million, decreased by RMB51 million or 10.24% from RMB498 million as at 31 December 2016. The stock price of China XLX Fertiliser Limited held by the Group increased as at 31 December 2017, which led to an increase of RMB29 million in available-for-sale investments, and an impairment loss of RMB77 million on investment in Shanxi Jinmei Tianyuan Chemical Co., Ltd. was recognized at the same time.

XI. INTEREST-BEARING LIABILITIES

As at 31 December 2017, the Group's interest-bearing liabilities amounted to RMB5,118 million, decreased by RMB915 million or 15.17% from RMB6,033 million as at 31 December 2016. In particular,

(i) Borrowings

As at 31 December 2017, the balance of the Group's borrowings amounted to RMB5,118 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 of RMB1 billion with a term of three years, and Sinochem Group entrusted loans of RMB1.5 billion. The balance increased by RMB1,085 million or 26.90% from RMB4,033 million as at 31 December 2016.

(ii) Short-Term Commercial Paper

The Group repaid over RMB2 billion of short-term commercial paper due on schedule in the current year.

XII. TRADE AND BILLS PAYABLES

As at 31 December 2017, the balance of the Group's trade and bills payables amounted to RMB3,453 million, decreased by RMB1,122 million or 24.52% from RMB4,575 million as at 31 December 2016, which was mainly due to that the Group strengthened the synergy of internal integration, increased the proportion of internal procurement as well as the percentage of settlement by bill, thus leading to the decrease in the balance of trade and bills payables.

XIII. OTHER FINANCIAL INDICATORS

The Group uses earnings per share and return on equity (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 indexes 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 loss per share for the year ended 31 December 2017 amounted to RMB0.3143 and ROE for the year ended 31 December 2017 was -28.96%, both lower than those in 2016, which was mainly due to that the Group seized the opportunity of market recovery and the product margin increased.

Table 3:

	2017	2016
Profitability		
Loss per share (RMB) <i>(Note 1)</i>	(0.3143)	(0.6600)
ROE <i>(Note 2)</i>	<u>(28.96%)</u>	<u>(43.26%)</u>

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

Note 2: Calculated based on loss 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 2017, the Group's current ratio was 1.61, and the debt-to-equity ratio was 77.23%. 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 while domestic funding conditions remained tight.

Table 4:

	As at 31 December	
	2017	2016
Liquidity and Capital adequacy		
Current ratio <i>(Note 1)</i>	1.61	0.73
Debt-to-Equity ratio <i>(Note 2)</i>	<u>77.23%</u>	<u>72.96%</u>

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 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 2017, cash and cash equivalents of the Group amounted to RMB287 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	
	2017	2016
	RMB'000	RMB'000
Short-term commercial paper	—	2,000,000
Borrowings from Sinochem Group	1,500,000	—
Borrowings from Sinochem Finance Co., Ltd.	—	540,000
Other borrowings	122,000	—
Bonds		
Principal amount	3,500,000	3,500,000
Less: unamortized transaction costs	(4,465)	(6,815)
Total	<u>5,117,535</u>	<u>6,033,185</u>

Table 6:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Carrying amount repayable		
Within one year	122,000	2,540,000
More than one year, but within five years	4,995,535	3,493,185
Total	<u>5,117,535</u>	<u>6,033,185</u>

Table 7:

	As at 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Fixed-rate borrowings	5,117,535	6,033,185
Variable-rate borrowings	—	—
Total	<u>5,117,535</u>	<u>6,033,185</u>

As at 31 December 2017, the Group had banking facilities equivalent to RMB19,144 million, including US\$1,355 million and RMB10,290 million, respectively. The unutilized banking facilities amounted to RMB16,652 million, including US\$1,204 million and RMB8,787 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 global economy was undergoing deep adjustment and recovery, all kinds of potential risks were intertwined; China's economy was going from high-speed growth to medium-speed growth; 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 were big challenges for the Group's production and management, and the performance of the Group was improved over the previous year, which increased business confidence. 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 explored and did researches on modern agricultural service platform, pooled relevant resources in the industry, expanded the direction of agricultural development, improved sustainability, enhanced overall competitiveness, and reduced the unfavorable 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 the 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 HK 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 2017. 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 the 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 demands, optimized capital structure to meet the demand of working capital and repayment of matured bonds.

XVI.CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no contingent liabilities.

XVII. CAPITAL COMMITMENT

Table 8:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Contracted but not provided for		
– Property, plant and equipment	24,408	75,917
Authorized but not contracted for		
– Property, plant and equipment	1,770,125	331,399
– Others	<u>–</u>	<u>500,000</u>
Total	<u>1,794,533</u>	<u>907,316</u>

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 2017, the Group had no material investments.

XIX. REMUNERATION POLICY

The key components of the Group's remuneration package include basic salary, and where applicable, other allowances, annual incentive bonus, mandatory provident funds and state-managed retirement benefits scheme. 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. 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 2017, the Group had about 5,601 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 values the importance of training and career development of employees. In 2017, the Group provided 968 person-times or 11,219 hours of training (any training organized by the subsidiaries has not been included in these numbers). The training courses covered areas such as industrial development, strategy implementation, leadership enhancement, marketing management, operation and management, laws and regulations, finance, human resource management, 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 Sinoferf Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2017, 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 2017

	<i>Note</i>	2017 RMB'000	2016 RMB'000
Revenue	<i>3(a)</i>	17,643,812	14,959,092
Cost of sales		<u>(16,272,189)</u>	<u>(14,717,930)</u>
Gross profit		1,371,623	241,162
Other income and gains	<i>4</i>	240,505	233,642
Selling and distribution expenses		(815,275)	(754,393)
Administrative expenses		(825,344)	(763,270)
Other expenses and losses		(1,742,784)	(3,310,574)
Share of results of associates		(171,404)	(8,290)
Share of results of joint ventures		13,736	(101,706)
Finance costs	<i>5</i>	(340,990)	(339,645)
Loss on disposal of a joint venture		<u>(13)</u>	<u>(14,731)</u>
Loss before taxation	<i>6</i>	(2,269,946)	(4,817,805)
Income tax	<i>7</i>	<u>(10,938)</u>	<u>(4,621)</u>
Loss for the year		<u>(2,280,884)</u>	<u>(4,822,426)</u>
Loss for the year attributable to:			
– Owners of the Company		(2,207,504)	(4,635,885)
– Non-controlling interests		<u>(73,380)</u>	<u>(186,541)</u>
		<u>(2,280,884)</u>	<u>(4,822,426)</u>
Loss for the year		<u>(2,280,884)</u>	<u>(4,822,426)</u>

		2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
	<i>Note</i>		
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		(102,621)	112,306
Changes in fair value of available-for-sale investments		<u>29,483</u>	<u>(20,603)</u>
Other comprehensive income for the year		<u>(73,138)</u>	<u>91,703</u>
Total comprehensive income for the year		<u>(2,354,022)</u>	<u>(4,730,723)</u>
Total comprehensive income attributable to:			
– Owners of the Company		(2,280,642)	(4,544,182)
– Non-controlling interests		<u>(73,380)</u>	<u>(186,541)</u>
		<u>(2,354,022)</u>	<u>(4,730,723)</u>
Loss per share			
Basic (RMB)	9	<u>(0.3143)</u>	<u>(0.6600)</u>
Diluted (RMB)	9	<u>(0.3143)</u>	<u>(0.6600)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

		As at 31 December	
	Note	2017	2016
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		2,427,511	3,427,768
Lease prepayments		487,703	500,736
Mining rights		579,077	611,367
Goodwill		829,075	849,966
Interests in associates	13	509,912	8,707,156
Interests in joint ventures		385,674	374,004
Available-for-sale investments		447,252	498,437
Prepayments for acquisition of property, plant and equipment		49,467	19,787
Deferred tax assets		17,702	32,960
Other long-term assets		13,310	12,051
		<u>5,746,683</u>	<u>15,034,232</u>
Current assets			
Inventories	10	5,433,138	4,475,018
Trade and bills receivables	11	235,991	152,982
Other receivables and prepayments		1,883,056	1,546,933
Loans to an associate		670,000	670,000
Lease prepayments		13,810	13,810
Bank balances and cash		286,816	972,118
Assets held for sale	14	8,048,139	—
		<u>16,570,950</u>	<u>7,830,861</u>
Current liabilities			
Trade and bills payables	12	3,452,676	4,574,711
Other payables and receipt in advance	15	6,715,129	3,603,543
Interest-bearing – due within one year		122,000	540,000
Short-term commercial paper		—	2,000,000
Tax liabilities		12,333	11,052
		<u>10,302,138</u>	<u>10,729,306</u>
Net current assets / (liabilities)		<u>6,268,812</u>	<u>(2,898,445)</u>
Total assets less current liabilities		<u>12,015,495</u>	<u>12,135,787</u>

	As at 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities		
Interest-bearing borrowings – due after one year	4,995,535	3,493,185
Deferred income	86,413	105,253
Deferred tax liabilities	207,912	220,648
Other long-term liabilities	98,523	47,128
	<u>5,388,383</u>	<u>3,866,214</u>
NET ASSETS	<u>6,627,112</u>	<u>8,269,573</u>
CAPITAL AND RESERVES		
Issued equity	8,267,384	8,267,384
Reserves	(1,428,954)	140,127
	<u>6,838,430</u>	<u>8,407,511</u>
Total equity attributable to owners of the Company	6,838,430	8,407,511
Non-controlling interests	(211,318)	(137,938)
TOTAL EQUITY	<u>6,627,112</u>	<u>8,269,573</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 2017 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been provided to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Besides the aforementioned above, 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 2016.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Potash fertilizer	3,904,676	3,629,552
Nitrogen fertilizer	3,573,177	2,610,677
Compound fertilizer	4,822,852	3,981,643
Phosphate fertilizer	3,573,724	3,371,433
Monocalcium / Dicalcium Phosphate ("MDCP")	776,679	775,542
Others	992,704	590,245
	<u>17,643,812</u>	<u>14,959,092</u>

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

(b) Segment reporting

The Group's operating segments based on information reported to the chief operating decision maker ("CODM") for the purpose of resource allocation and performance assessment. During the reporting period, the Group has changed the structure of its internal organisation in a manner that causes the composition of its reportable segments to change as follows:

Basic fertilizers: sourcing and trading of straight fertilizers such as nitrogen, phosphate and potash

Distribution: building of distribution channels, sourcing and selling of compound fertilizers and new type of fertilizer

Production: production and sales of fertilizers and MDCP

Certain comparative amounts in the segment information have been adjusted to conform the current year's presentation.

(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) made/the profit earned by each segment without taking into account of unallocated expenses/income, share of results of associates and joint ventures and finance costs. This is the measure reported to the Group's CODM for the purposes of resource allocation and performance assessment. In addition, the CODM also regularly reviews 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.

Given the production and trading of fertilizers are closely linked, the CODM considered segment assets and liabilities information was not relevant in assessing performance of and resources allocation to the operating segments. During the year ended 31 December 2017, such information was not reviewed by the CODM. As such, no segment assets and liabilities are presented.

2017	Basic fertilizers RMB'000	Distribution RMB'000	Production RMB'000	Elimination RMB'000	Total RMB'000
Revenue					
External revenue	11,182,845	4,534,380	1,926,587	–	17,643,812
Internal revenue	<u>457,668</u>	<u>831</u>	<u>1,419,806</u>	<u>(1,878,305)</u>	<u>–</u>
Segment revenue	<u>11,640,513</u>	<u>4,535,211</u>	<u>3,346,393</u>	<u>(1,878,305)</u>	<u>17,643,812</u>
Segment gross profit	<u>793,110</u>	<u>386,110</u>	<u>192,403</u>	<u>–</u>	<u>1,371,623</u>
Segment profit / (loss)	<u>579,158</u>	<u>(33,122)</u>	<u>(1,327,327)</u>	<u>–</u>	<u>(781,291)</u>
Share of results of associates					(171,404)
Share of results of joint ventures					13,736
Unallocated expenses					(1,020,124)
Unallocated income					30,127
Finance costs					<u>(340,990)</u>
Loss before taxation					<u>(2,269,946)</u>

2016	Basic fertilizers <i>RMB'000</i>	Distribution <i>RMB'000</i>	Production <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue					
External revenue	9,780,487	3,746,587	1,432,018	–	14,959,092
Internal revenue	<u>380,992</u>	<u>852</u>	<u>1,345,770</u>	<u>(1,727,614)</u>	<u>–</u>
Segment revenue	<u>10,161,479</u>	<u>3,747,439</u>	<u>2,777,788</u>	<u>(1,727,614)</u>	<u>14,959,092</u>
Segment gross profit	<u>(25,908)</u>	<u>226,644</u>	<u>40,426</u>	<u>–</u>	<u>241,162</u>
Segment loss	<u>(329,515)</u>	<u>(100,690)</u>	<u>(952,881)</u>	<u>–</u>	<u>(1,383,086)</u>
Share of results of associates					(8,290)
Share of results of joint ventures					(101,706)
Impairment loss on interests in associates					(2,830,000)
Unallocated expenses					(202,825)
Unallocated income					47,747
Finance costs					<u>(339,645)</u>
Loss before taxation					<u><u>(4,817,805)</u></u>

(ii) Other Segment Information

	Basic fertilizers RMB'000	Distribution RMB'000	Production RMB'000	Unallocated RMB'000	Total RMB'000
2017					
Amounts included in the measures of segment profit / (loss):					
Additions to non-current assets	4,180	62,698	188,377	299	255,554
Impairment of other receivables and prepayments	—	—	—	(42)	(42)
Impairment loss on property, plant and equipment	—	(38,000)	(879,662)	—	(917,662)
Impairment loss on available-for-sale investments	—	—	—	(80,668)	(80,668)
Depreciation and amortization	(2,748)	(31,340)	(341,522)	(3,210)	(378,820)
Write-down of inventories	—	(13,316)	(19,509)	—	(32,825)
Gain / (loss) on disposal of property, plant and equipment	175	(819)	188	60	(396)
Write-off of payables	6,273	1,245	233	—	7,751
Adjustment to consideration payable	—	—	—	18,563	18,563
Provision for onerous contract in relation to the disposal of interests in an associate	—	—	—	(711,561)	(711,561)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Basic fertilizers RMB'000	Distribution RMB'000	Production RMB'000	Unallocated RMB'000	Total RMB'000
2016					
Amounts included in the measures of segment loss:					
Additions to non-current assets	2,783	23,825	273,466	7	300,081
Impairment of trade receivables	—	(78)	(238)	—	(316)
Impairment of other receivables and prepayments	—	(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	(2,603)	(30,161)	(379,747)	(3,238)	(415,749)
Write-down of inventories	(39,517)	(7,365)	(12,499)	—	(59,381)
Loss on disposal of property, plant and equipment	(60)	(2,265)	(2,323)	—	(4,648)
Write-off of payables	148	2,811	740	—	3,699
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(iii) *Geographical information*

The Group's operations are mainly located in Mainland China and 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	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Mainland China	16,767,543	13,891,389	5,275,527	14,498,798
Others	876,269	1,067,703	7,586	4,037
	<u>17,643,812</u>	<u>14,959,092</u>	<u>5,283,113</u>	<u>14,502,835</u>

4. OTHER INCOME AND GAINS

	2017 RMB'000	2016 RMB'000
Rental income	6,427	5,990
Dividend income from listed available-for-sale investments	1,930	4,287
Interest income from an associate	35,302	36,046
Other interest income	80,913	105,916
Government grants (<i>note</i>)	20,736	7,442
Sales of semi-product, raw materials and scrapped materials	11,544	6,018
Release of deferred income	19,946	8,332
Insurance claims received	4,736	18,837
Write-off of payables	7,751	3,699
Adjustment to consideration payable	18,563	—
Others	32,657	37,075
	<u>240,505</u>	<u>233,642</u>

Note: Government grants mainly comprised payments from the government to support the business development of the Group entities in accordance with applicable law, regulations in Mainland China.

5. FINANCE COSTS

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Interest on borrowings	342,365	344,087
Less: interest expense capitalized (<i>note</i>)	(1,375)	(4,442)
	<u>340,990</u>	<u>339,645</u>

Note: The capitalization rates used to determine the amount of borrowing costs eligible for capitalization related to construction of production lines are 5.00% (2016: 5.00%) for the year ended 31 December 2017.

6. LOSS BEFORE TAXATION

	<i>Note</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Depreciation of property, plant and equipment		327,061	364,683
Amortization of lease prepayments		13,033	13,108
Amortization of mining rights		32,290	32,306
Amortization of other long-term assets		6,436	5,652
Loss on disposal of property, plant and equipment		396	4,648
Loss on disposal of a joint venture		13	14,731
Impairment of trade receivables		—	316
Impairment of other receivables and prepayments		42	20,933
Write-down of inventories	(i)	32,825	59,381
Impairment loss on property, plant and equipment	(ii)	917,662	363,656
(Reversal of) / impairment loss on interests in associates		(30,754)	2,830,000
Impairment loss on available-for-sale investments		80,668	—
Reversal of impairment of other receivables and prepayments		—	(197)
Foreign exchange loss		2,891	7,745
Provision for onerous contract in relation to the disposal of interests in an associate	14	<u>711,561</u>	<u>—</u>

Notes:

- (i) During the year ended 31 December 2017, write-down of inventories amounting to approximately RMB32,825,000 (2016: RMB59,381,000) is recorded in other expenses and losses.
- (ii) The Group determines whether there are indicators for impairment of property, plant and equipment at the end of each reporting period. Should the indicators exist, the Group will estimate value in use of relevant cash generating units of property, plant and equipment by estimating the future cash flows expected from those interests and a discount rate in order to calculate the present value. In view of the loss sustained by Sinochem Jilin Changshan Chemical Co., Ltd., a subsidiary of the Group, for the year ended 31 December 2017, the directors of the Company considered that indicators of potential impairment of property, plant and equipment existed as at 31 December 2017. The Group re-assessed the recoverable amount of this cash generating unit with reference to its value in use, derived by using discounted cash flow analysis as at 31 December 2017. The key assumptions for the value in use calculation are those regarding the discount rate, estimated selling prices and selling quantities used in the cash flow forecasts. The pre-tax discount rate used in the value in use calculation is 13.6% (2016:13%). Based on the discounted cash flow forecast prepared, the value in use is lower than the carrying amount of this cash generating unit, the Group has recognized an impairment loss on property, plant and equipment of RMB917,662,000 in “other expenses and losses” for the year ended 31 December 2017.

7. INCOME TAX

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

	2017 RMB'000	2016 RMB'000
Provision for the year		
PRC Enterprise Income Tax	(9,681)	(6,155)
Over / (under)-provision in prior years		
PRC Enterprise Income Tax	1,265	(707)
Deferred tax		
Origination and reversal of temporary differences	(2,522)	2,241
	(10,938)	(4,621)

- (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 2017 is calculated at 16.5% (2016: 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:

	2017 RMB'000	2016 RMB'000
Loss before taxation	(2,269,946)	(4,817,805)
Tax calculated at the applicable tax rate of 25%	567,487	1,204,451
Effect of different income tax rates	40,350	52,589
Tax effect of non-deductible expenses	(14,080)	(15,626)
Tax effect of non-taxable income	1,962	335
Tax effect of share of results of associates	(42,851)	(2,073)
Tax effect of share of results of joint ventures	3,434	(25,427)
Effect of prior year's tax losses and deductible temporary differences utilized during the year	14,182	2,704
Effect of tax losses and deductible temporary difference not recognized	(582,687)	(1,220,867)
Over / (under)-provision in prior years	1,265	(707)
Income tax expense for the year	<u>(10,938)</u>	<u>(4,621)</u>

8. DIVIDENDS

	2017 RMB'000	2016 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, nil for year 2017 (2016: HK\$0.0097, equivalent to approximately RMB0.0081 per share)	<u>—</u>	<u>59,014</u>
Dividend proposed after the end of the reporting period, nil for 2017 (2016: nil)	<u>—</u>	<u>—</u>

9. LOSS PER SHARE

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

	2017 RMB'000	2016 RMB'000
Loss attributable to owners of the Company		
Loss for the purpose of basic / diluted loss per share	<u>(2,207,504)</u>	<u>(4,635,885)</u>
	2017 '000 shares	2016 '000 shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic / diluted loss per share	<u>7,024,456</u>	<u>7,024,456</u>

10. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Fertilizer merchandise and finished goods	4,874,152	4,016,472
Raw materials	491,120	361,912
Work in progress	23,918	51,228
Consumables	43,948	45,406
	5,433,138	4,475,018

11. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Trade receivables	46,565	60,581
Less: allowance for doubtful debts	(1,212)	(7,937)
	45,353	52,644
Bills receivables	190,638	100,338
Total trade and bills receivables	235,991	152,982

The Group allows a credit period of 0-90 days to its trade customers. As at the end of the reporting period, the aging analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Within 3 months	158,989	137,119
More than 3 months but within 6 months	72,608	10,974
More than 6 months but within 12 months	158	736
Over 12 months	4,236	4,153
	235,991	152,982

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

12. TRADE AND BILLS PAYABLES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Trade payables	1,455,851	3,406,708
Bills payable	1,996,825	1,168,003
Trade and bills payables	3,452,676	4,574,711

As at 31 December 2017, the aging analysis of trade and bills payables presented based on the invoice date is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Within 3 months	1,832,456	3,635,023
More than 3 months but within 6 months	741,346	658,107
More than 6 months but within 12 months	825,112	86,081
Over 12 months	53,762	195,500
	3,452,676	4,574,711

13. INTERESTS IN ASSOCIATES

	2017	2016
	RMB'000	RMB'000
At the end of reporting period, cost of investment in associates:		
– Listed in Mainland China	–	10,008,084
– Unlisted	391,429	391,429
Share of profits, net of dividends	118,483	1,137,643
Less: impairment loss	–	(2,830,000)
	509,912	8,707,156
Fair value of listed investments	–	7,266,668

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

In December 2017, the Company classified investment in Qinghai Salt Lake Industry Co., Ltd. (“Qinghai Salt Lake”) together with the impairment loss made in prior year from interests in associates to assets held for sale (see note 14).

14. ASSETS HELD FOR SALE

The movements of assets of non-current assets held for sale during the year are as follows:

	2017 RMB'000
Assets	
At 1 January	—
Transfer to assets held for sale	<u>8,048,139</u>
At 31 December	<u><u>8,048,139</u></u>

Pursuant to the share transfer agreement between Sinochem Fertilizer Co., Ltd. (“Sinochem Fertilizer”), a subsidiary of the Group, and Sinochem Group Co., Ltd. (“Sinochem Group”) dated 24 October 2017, Sinochem Fertilizer agreed to sell and Sinochem Group agreed to purchase all the shares of Qinghai Salt Lake held by Sinochem Fertilizer, representing 20.52% of its total issued share capital of Qinghai Salt Lake, at a consideration of RMB8,063,198,000, the first instalment of which amounted to RMB2,418,960,000 has been received by Sinochem Fertilizer on 31 October 2017 and included in “other payables and receipt in advance” in the consolidated statement of financial position (note 15). The transaction has been approved by the independent shareholders of the Company and State-owned Assets Supervision and Administration Commission of the State Council of the PRC in December 2017. Accordingly, the Company classified investment in Qinghai Salt Lake from interests in associates to assets held for sale. The transaction is expected to be completed in 2018.

At 31 December 2017, the non-current assets held for sale were stated at the lower of carrying amount and fair value less costs to sell, comprising the following assets:

	As at 31 December 2017 RMB'000
Interests in Qinghai Salt Lake:	
Cost of investment	10,008,084
Share of profits, net of dividends	839,301
Less: impairment loss	<u>(2,799,246)</u>
Assets held for sale	<u><u>8,048,139</u></u>

As at 31 December 2017, the recoverable amount of RMB8,048,139,000 was determined based on the consideration of RMB8,063,198,000 less the transaction costs of approximately RMB15,059,000. A reversal of impairment loss of RMB30,754,000 was recognized in “other expenses and losses”.

On disposal of a long-term equity investment accounted for using the equity method, any gain or loss on dilution previously recognized directly in equity shall be recycled to profit or loss on the disposal date. The Group previously recognized the loss on dilution of the interests in Qinghai Salt Lake of RMB711,561,000 directly in equity. Since the share transfer agreement is an onerous contract, the Group recognized the present obligation under the share transfer agreement and measured a provision for onerous contract in relation to the disposal of interests in Qinghai Salt Lake amounting to RMB711,561,000 accordingly.

15. OTHER PAYABLE AND RECEIPT IN ADVANCE

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Staff costs payables	122,451	21,784
Consideration payable for acquisition of Sinochem Yunlong Co., Ltd.	–	230,000
Others	691,970	476,374
Other payables	814,421	728,158
First instalment of consideration from the disposal of Qinghai Salt Lake (note 14)	2,418,960	–
Receipt in advance	3,481,748	2,875,385
Other payables and receipt in advance	6,715,129	3,603,543

FINAL DIVIDEND

The Board did not recommend the declaration of a final dividend for the year ended 31 December 2017 (2016: Nil).

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. Ko Ming Tung, Edward and Mr. Lu Xin 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 2017.

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 2017.

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 2017 and up to the date of this announcement, the Company has complied with the applicable code provisions in the Corporate Governance Code, except for the deviations from the code provisions A.1.7 and E.1.2 as described below.

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

The code provision E.1.2 provides that, among others, the chairman of the board should attend the annual general meeting of the listed issuer. In the annual general meeting of the Company held on 12 May 2017 (the “2017 AGM”), Mr. Zhang Wei, the Chairman of the Board, did not chair the meeting due to other essential business engagements. In order to ensure smooth holding of the 2017 AGM, the Chairman of the Board authorized and the Directors attending the meeting elected Mr. Harry Yang, the Executive Director of the Company, to chair the meeting on behalf of the Chairman of the Board. Respective chairmen or representatives of the audit, remuneration, nomination and corporate governance committee of the Company were present at the 2017 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 2017 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) and Mr. Yang Lin; 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, 28 March 2018

* *For identification purposes only*