SINOFERT HOLDINGS LIMITED
中 化 化 肥 控 股 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

- The Group's revenue was RMB15,306 million for the current period, increased by 12.57% year on year
- Profit attributable to owners of the Company for the current period was RMB998 million, increased by 50.53% year on year
- Basic earnings per share for the current period was RMB0.1421, increased by 50.53% year on year
- The Board did not recommend the declaration of interim dividend for the six months ended 30 June 2022

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I hereby report to all shareholders the interim results of Sinofert Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2022.

In the first half of 2022, food prices stood at high levels as a result of the resurgence of the COVID-19 pandemic and international geopolitical conflicts, while fertilizer demand and supply continued to be in tight balance, with rising product prices driven by the increased industry prosperity. The Group seized the market opportunities and effectively implemented various strategic measures formulated at the beginning of the year, achieving significant year-on-year growth in results. In the first half of 2022, the Group's revenue was RMB15,306 million, up by 12.57% year-on-year. Profit attributable to owners of the Company amounted to RMB998 million, an increase of 50.53% year-on-year and representing a substantial improvement in profitability. Major performance indicators of the Group remained in good standing. The Group had a sound assets and liabilities structure with strong risk resilient capability, and its domestic credit rating was AAA for thirteen consecutive years.

Under the combined pressures of tight supply and rising costs, the Basic Fertilizers Division firmly implemented the national requirement of ensuring supply and price stability by comprehensively solidifying its partnership with strategic suppliers to strengthen its access to quality resources and leveraging on its supply chain strengths to ensure direct supply of its products to end-users in the industrial and agricultural industries. It also further expanded its market influence through the promotion of differentiated products and marketing both online and offline to strengthen its technical services and ability to meet customers' needs. Our continuous promotion of innovation and transformation has led to increases in the number of registered users, logistics and transportation volume, transaction volume and online payment amount of the Fertex platform. The launch of third-party listing and other businesses, trade matching as well as logistics and financial services have played a vital role in facilitating the matching of fertilizer demand and supply, reducing transaction costs and improving transaction efficiency. In the first half of 2022, profit before taxation of the Basic Fertilizers Division amounted to RMB527 million, representing a year-on-year growth of 33.54%.

The Distribution Division achieved a high-quality and rapid growth with swift advancement of biological and soil health strategies and a further improvement in the synergy of research, production and sales. By focusing on crop orientation, the Division has headed towards three marketing directions, namely food crops, economic crops and soil health, and achieved breakthroughs in bio-stimulants and microbial technology products, significantly improving the market competitiveness of core products. Through expanding diversified channels and improving our system upgrade and technical service capabilities, our direct retailers, large-scale planting companies and special channel customers accounted for 62% of our sales. By actively collaborating with Syngenta Group's internal resources, the scale of modern agriculture and synergy from the crop protection business achieved rapid growth. In the first half of 2022, the sales revenue from the Distribution Division reached RMB5,539 million. The sales volume of special fertilizers and various differentiated compound fertilizers was 940,000 tons, up by 31% year on year and accounting for 74% of domestic fertilizers. Profit before taxation of the Distribution Division amounted to RMB236 million, up by 36.29% year-on-year.

The production enterprises took full advantage of their resource advantages and made every effort to ensure stable, long-lasting and optimal operations, overcoming the adverse impact of rising raw material prices, with gross profit margin hitting a record high. The relocation project of Sinochem Chongqing Fuling Chemicals Co., Ltd. ("Sinochem Fuling") entered the final phase, with an accumulative investment of RMB2,450 million and 98% of the overall visual progress has been completed. The preparation work for production has been progressing in an orderly manner. In the first half of 2022, the production enterprises achieved a segment profit of RMB331 million, representing a year-on-year increase of 90.39%.

In the second half of 2022, the fertilizer industry will face great risks and challenges in production, import and distribution due to the uncertainty of geopolitical conflicts and the increasingly tightening monetary policies overseas. However, with the gradual upgrading of the international food security strategy, China is focusing on consolidating the foundation of agriculture to promote rural revitalization and other key tasks, the policy agenda of "Central Document No. 1" has also set up standards for grain acreage, which is conducive to motivating cereal farming, thus bringing good opportunities for the development of the fertilizer industry. Meanwhile, the strengthening of foundation support of modern agriculture will promote the entire fertilizer industry towards green and low-carbon development, which will also bring significant opportunities for the Group's high-quality and innovative development.

In the second half of 2022, the Group will strictly implement the national policy of ensuring supply and price stability of chemical fertilizers and food safety, and firmly promote technology innovation, quality improvement and efficiency enhancement of the industry, soil health and microbial strategies, green farming and other favourable initiatives. The Basic Fertilizers Division will further strengthen its strategic sourcing capabilities and step up efforts in obtaining quality products to fulfill its mission as a state-owned enterprise and ensure supply and price stability. Meanwhile, the Group will enhance its market research and study capabilities to prevent the occurrence of market risks. The Distribution Division will continue to enhance its scientific research and innovation capabilities and firmly carry out its differentiated product management strategy, focusing on "soil health, bio-fertilizer and nutrient efficiency" to promote product upgrading. Leveraging on its resource advantages, the production enterprises will focus on industrial planning to ensure that Sinochem Fuling will commence production as scheduled and become a new driving force for the Group's performance growth. Meanwhile, the production enterprises will fully leverage the advantages of its platform with Syngenta Group to strengthen the synergy of research, production and sales, adding the power of technology to the rapid development of its business.

Last but not least, on behalf of the Board of Directors, I would like to extend our deep appreciation and sincere thanks to the shareholders and customers of the Company. We hope to have your continuous attention and support in the future. We expect the management and all staff members of the Company will bear in mind the vision of "In Science We Trust", and work even harder to continuously make contribution to the development of the Group.

J. Erik Fyrwald
Chairman of the Board

Hong Kong, 23 August 2022

MANAGEMENT REVIEW AND PROSPECT

BUSINESS ENVIRONMENT

In the first half of 2022, inflationary pressures increased as global energy and commodity prices rose amidst the international economic situation, geopolitical conflicts and resurgence of the COVID-19 pandemic. While responding calmly to the profound changes and a pandemic not seen in a century, the Chinese government promoted the stable and healthy development of the economy and society to consolidate the foundation of agriculture and ensure national food safety. By adhering to the promotion of the rural revitalization strategy, the Chinese government has also vigorously developed modern agriculture and stepped up its efforts to maintain supply and price stability, ensuring the production of food and energy and the overall price stability in the domestic market. The release of the policy agenda of "Document No. 1" has also set up standards and profitability for grain acreage, which is conducive to motivating cereal farming, thus bringing good opportunities for the development of agricultural products and related industries.

In the first half of 2022, driven by the continued agriculture prosperity, fertilizer demand and supply remained in tight balance, with generally rising prices for fertilizer products. However, the complex and ever-changing international situation and the COVID-19 pandemic continued to pose great challenges to the fertilizer industry in terms of production and operation, trading and distribution. The Chinese government continued to strengthen the macro-control policy on the fertilizer industry to promote the use of less fertilizer and efficiency improvement, and carried out in-depth soil testing and formula-based fertilization to undergo continuous optimization of fertilizer input structure, guiding enterprises and social service organizations to develop scientific fertilizer application technology services to safeguard national food safety.

To consolidate its leading position in the industry against the backdrop of a complex and volatile global economy, under the leadership of the Board, the Group continued to deepen its strategic transformation and promote the modern agricultural technology service platform comprehensively to step up efforts in product R&D and effective pandemic control and prevention, ensuring stable price and supply of fertilizer products and contributing in the promotion of the development of rural revitalization and modernization of agriculture. Through deepening its strategic sourcing channels, the Basic Fertilizers Division took full advantage of its supply chain strengths to acquire stable and quality resources and protect the demand for industrial and agricultural production. The Distribution Division continued to optimize its product structure and accelerate the implementation of differentiated strategies, while the integration of research, production and sales has also boosted product gross margins. Production enterprises seized the market opportunities and took full advantage of their resources to ensure stable, long-lasting and optimal operations. Meanwhile, the Group continued to strengthen internal strategic collaboration with members of the Syngenta Group and achieved significant year-on-year sales growth.

FINANCIAL PERFORMANCE

For the six months ended 30 June 2022, the Group achieved a revenue of RMB15,306 million, an increase of 12.57% over the corresponding period in 2021, and a profit attributable to shareholders of the Company of RMB998 million, an increase of 50.53% over the corresponding period in 2021.

RESEARCH AND DEVELOPMENT

In the first half of 2022, the Group continued to build up its R&D capacity in crop nutrition, cooperating with the Chinese Academy of Agricultural Sciences and other research institutions to establish an R&D system that integrates nutrient efficiency, soil health and biological agents, focusing on plant physiology and molecular biology research. The first self-researched and self-produced bio-stimulant, "Youcuilu", has been officially launched and rapidly promoted, the bio-stimulant AHP has been researched and tested, and "biologics + organic carrier" and other soil health products have achieved commercialization. Combined with the breakthrough in the technology of efficient utilization of underlying nutrients, the Company successfully upgraded its fertilizer products for cereals and crops, contributing to the improvement of nutrient utilization rate and promoting weight loss and efficiency. In the first half of 2022, the cumulative production and sales volume of new products transformed from R&D achievements was 899,000 tons, representing a year-on-year increase of 33%.

In the future, the Group will continue to build up deep research and development capabilities, focus on the research and development of biological agents, protect soil health, improve nutrient utilization, promote high yield and quality of crops, and develop and promote new crop nutrition products through an integrated mechanism of research, production and marketing. At the same time, we will continue to focus on resources, plan for improving soil health, promote key core technologies, implement arable land protection policies, and contribute to soil health improvement.

PRODUCTION AND MANUFACTURING

In the first half of 2022, the Group's major subsidiaries, in the face of the complex and volatile economic environment, grasped market opportunities, adjusted their production and sales strategies promptly and utilized their resource advantages to achieve full production and sales in a stable and long-term manner, resulting in significant improvement in operating results.

In the first half of 2022, Sinochem Yunlong, a subsidiary of the Group, faced unfavorable circumstances such as the repeated recurrence of the COVID-19 pandemic and the significant increase in the prices of major raw materials such as sulfur and sulfuric acid, to ensure the supply of coal and phosphate ore, tightly grasp safe production and secure premium orders, 188,900 tons of calcium feed were produced, an increase of 4.36% year-on-year, and a total profit of RMB204 million was realized, an increase of 204% year-on-year. Adhering to the core value concept of "In Science We Trust", we are committed to "becoming a leading global production expert of high phosphorous MCP/DCP and creating a leading green brand in animal nutrition". According to its strategic development plan, the Group will fully implement the five major development concepts of innovation, coordination, green, openness and sharing, construct a green ecological industrial system, develop a circular economy, focus on solving the difficult problems of comprehensive utilization of phosphogypsum, flotation tailings, extracted acid and residual acid, realize efficient recovery of fluorine and graded utilization of phosphorus, stabilize the existing production of high phosphorus feed calcium, develop functional phosphorus fertilizer and green building materials, build a flexible manufacturing platform for fine phosphorus chemicals and new materials with international competitiveness, and promote the Group's green and sustainable development.

Facing the unfavourable situation of rising coal and electricity prices, and the implementation of static control over unexpected epidemics in the region, Sinochem Jilin Changshan Chemical Co., Ltd. ("Sinochem Changshan"), a subsidiary of the Group, overcame the difficulties in commuting, loading and transportation, raw material procurement, etc., and organized its staff to station at the plant and take targeted measures to achieve "safe, stable, long, full and excellent and efficient" operation of production facilities; actively facilitated the transportation of our products to protect our customers' demand, seize the high end of the market and further enhance our market competitiveness: continued technological innovation, focus more on energy saving and efficiency, cost reduction and carbon reduction to offset the impact of rising costs. In the first half of 2022, the Company produced 104,700 tons of ammonia, an increase of 1.36% year-on-year, and achieved a total profit of RMB117 million, an increase of 37.65% year-on-year.

In the first half of 2022, Sinochem Fuling, a subsidiary of the Group, continued to implement the directive of the Yangtze River Economic Belt Construction's "jointly focusing on great protection of the environment and avoiding large-scale development" by promoting the overall environmental relocation and constructing the first phase of the environmental relocation project in the Baitao Chemical Park – 200,000 tons/year of fine phosphate and complemented by a new dedicated fertilizer. At present, Sinochem Fuling's old plant has been dismantled and soil treatment is still in progress; the construction of the new plant has an accumulated investment of RMB2.45 billion and 98% of the overall progress was completed. The ammonia and phosphoric acid plants were commissioned one after another and the production preparation work was carried out in an orderly manner.

BASIC FERTILIZERS OPERATIONS

In the first half of 2022, against the backdrop of tight supply and rising prices of various raw materials, the Group firmly implemented the requirement to maintain supply and stabilize prices, and actively utilized its strengths and capabilities to continuously acquire domestic and overseas quality resources to protect the demand of industrial and agricultural production. The Group continued to promote strategic sourcing, consolidate upstream supplier relationships and strengthen downstream channel cultivation to continuously enhance customer adhesion, promoted the differentiated products of Fenghexiang agricultural potash, Meilinmei series of phosphate fertilizers and Daheyiu nitrogen fertilizers, combining online and offline to further expand market influence. The number of registered users, logistics and transportation volume, transaction volume and online payment amount of the Fertex platform continued to increase, and the three-party listing business was launched one after another, with transaction aggregation and logistics and financial services playing an important role in facilitating the matching of fertilizer supply and demand, reducing transaction costs and improving transaction efficiency. The green planting service model continued to enhance the technological content of products, helping farmers to reduce production costs and carbon emissions and improve management efficiency.

POTASH FERTILIZER OPERATIONS

In the first half of 2022, conflict between Russia and Ukraine led to mounting in pressure on the international supply chain and an increase in the price differential between the international and domestic potash markets, with international potash being prioritized for supply to high-priced regions, resulting in a significant shortage of potash supply in the market, which reduced potash sales to 670,000 tons. The Group continued to consolidate its strategic cooperation with international suppliers and secured its supply through multiple channels to maintain its potash prices at a lower level in the global market, at the same time, we strengthened the strategic cooperation with Qinghai Salt Lake Industry Co., Ltd., deepened communication and exchange of market information, improved the convergence of procurement and sales as well as coordination of distribution and transportation, and made every effort to ensure the supply of potash in the domestic market. We strengthened the analysis of market information to protect the demand of core customers of industrial potash, continuously innovated the marketing model, improved the professional marketing service capability, and continued to enhance the market position and influence. We have deepened the marketing of agricultural potassium, enriched our multi-product differentiation matrix, reshaped our channel system, continued to promote the construction of our agricultural potassium brand "Fenghexiang", promoted the digitalization of our channels and online marketing projects, and continuously increased our market share.

NITROGEN FERTILIZER OPERATIONS

The nitrogen fertilizer operations achieved a sales volume of 0.91 million tons in the first half of 2022, a decrease of 1.02 million tons year-on-year: Of which the nitrogen fertilizer operations accounted for 19.24% of the total, a decrease of 8.82 percentage points year-on-year. To enhance profitability, the Group continued to adjust its product mix and reduce the share of the low-margin nitrogen fertilizer business.

PHOSPHATE FERTILIZER OPERATIONS

In the first half of 2022, the phosphate fertilizer operations achieved a sales volume of 1.21 million tons. The Group's strategic sourcing strengths were highlighted, effectively securing a stable supply of quality phosphate fertilizers in spring and summer despite the tight supply of phosphate ore and the reduction and suspension of production at small and medium-sized plants, and further enhancing the adhesion of cooperation with core customers. We also started to adjust the value of our phosphate fertilizer operations to provide integrated solutions to cater for the most concerned upstream and downstream demand, achieving stable profit contribution and increasing customer value, further consolidating our position as a leading distributor of phosphate fertilizers in the domestic market. Technology-based "Meilinmei" series products effectively improve phosphate fertilizer utilization, protect soil health and save upstream phosphate resources while helping farmers to increase production and harvest, with sales doubling year-on-year. High-purity phosphate (high content of monoammonium and phosphoric acid, etc.) has been steadily increasing in the water-soluble fertilizer processing and agricultural drip irrigation channels, and has achieved breakthroughs in the fields of energy lithium, fine phosphate processing, food processing and environmental materials.

DISTRIBUTION OPERATIONS

Continuing to promote the DTS channel deepening strategy, expanding direct supply retail shops, and continuously focusing on key large accounts and sinking channels to facilitate rapid development of operations. Deepened the distribution channel to strengthen the terminal network layout and promote the creation of core shops to help retailers transform and develop. To increase sales of core crops, through increased marketing of differentiated products and new fertilizers in collaboration with Syngenta Group's internal members. The direct sales channel revolves around large growers and commercial growers, integrating the resources of the industry chain and providing one-to-one customized products and technical services for customers with fertilizer and medicine combinations; strengthening cooperation with special channels, expanding the volume of cooperation with PetroChina and China Post, etc. and continuously innovating cooperation models.

COMPOUND FERTILIZER OPERATIONS

In the first half of 2022, the compound fertilizer operations achieved a sales volume of 1.43 million tons, representing an increase of 4.78% as compared to the corresponding period of the previous year. The Group accelerated the optimization of the product structure of compound fertilizers and further enhanced the effectiveness of its products by increasing the conversion of self-research results and the introduction of external technologies, focusing on multi-technology integrated products to solve crucial issues in planting, reduce weight and increase efficiency, increase productivity and improve quality. Through leading technologies such as bio-activation technology, microbial compounding technology and organic and inorganic coupling, we accelerated the development and operation of nutrient-efficient, bio-activation and soil health products, effectively implemented the national strategy to improve the quality of arable land, and effectively promoted the Company's biological strategy and soil health strategy. At the same time, we focused on the crucial issues of crop cultivation and soil health, and provided professional solutions to farmers. We have been continuously improving our technical service capability and marketing and promotion level, focusing on high-end economic crop products and high-cost food crop products, both of which have achieved good results. Among them, the sales volume of differentiated products was 901,800 tons, an increase of 39.81% year-on-year; the sales volume of bio-fertilizer was 510,000 tons, an increase of 95% year-on-year; the sales volume of "Lanlin", a new product developed by Syngenta Group, was 41,000 tons, an increase of 105%.

SPECIAL FERTILIZER OPERATIONS

In the first half of 2022, the sales volume of specialty fertilizers amounted to 38,000 tons. The Group focused on the research and development and promotion of new types of efficiency-enhancing fertilizers and flight prevention product combinations based on climate change and growers' needs. In view of the late planting of winter wheat, we launched bio-stimulant products for root application and foliar spraying to promote greening and tillering, which greatly enhanced crop resistance and fertilizer absorption efficiency and contributed to the increase of summer grain yield and income. In line with the Group's goal of green and sustainable agricultural development, we continued to invest in the research and development of new fertilizers and their production capacity, forming more complete research, production and marketing system and production capacity layout. The Group also actively promoted the business of water and fertilizer integration based on remote communication and remote-control technology, and formed the capacity to design and construct various agricultural forms such as high-standard farmland, greenhouses and landscape farming, etc. Our "Research and Development and Promotion of Water and Fertilizer Management Intelligent Equipment and Digital Management Solutions" was recognized as an IOT demonstration project by the Ministry of Industry and Information Technology.

COLLABORATION WITH SYNGENTA GROUP

In the first half of 2022, the Group further promoted the implementation of the synergistic development strategy to comprehensively accelerate the quality and rapid development of its crop protection business, modern agriculture and seed business. The crop protection business achieved continuous growth in sales volume and profit margin, with revenue of RMB250 million in the first half of 2022, representing a year-on-year increase of 31%. In particular, the self-operating sales of products through the collaboration with Syngenta Group accounted for 76%. Meanwhile, through the continued integration of Syngenta Group's advantageous products and the promotion of R&D collaboration with crop protection business and modern agriculture, the sales volume of a differentiated product mix including Lanlin, Yaxin and core materbatch was achieved 173,000 tons, representing a year-on-year increase of 56%.

TECHNICAL SERVICES AND DIGITAL INNOVATION

In the first half of 2022, the Group continued to promote free soil testing services, technical guidance for field activities, online and offline technical seminars, and the protection of rights and anti-counterfeiting, and integrated quality resources to provide farmers with a full range of crop technical solutions. The Group carried out more than 30,000 activities in relation to comprehensive technical services. By combining soil improvement with fertilizer application, the Group explored new modes of scientific fertilizer application which improved the soil environment and reduced the amount of pesticide and fertilizer application. The comprehensive integration of the advantages of biotechnology has also promoted the green and sustainable development of agriculture through biotechnology empowerment. The combination of online and offline services has accelerated user attraction and private domain tagging, a total of 12,408 "Nong Xiao Hui" retail shops have gone online for the promotion of digital check-in pilots and to continuously enhance digital marketing efficiency.

The Group deeply understood the significance of modern agricultural transformation and development in China, and actively implemented the spirit of the Central Economic Work Conference to develop a bio-economy to solve soil health issues. The Group has accelerated its R&D, pilot demonstration and promotion of microbial fertilizer products by leveraging the research and development capability in the core technology of microbial agents of the participating enterprises. The Group vigorously carried out research in green agricultural planting techniques and actively promoted technological achievements such as deep side fertilization, fertigation and soil improvement, microbial compounding, fungus and fertilizer coupling and biological activation, as well as integrated resources to propose bio-strategy and soil health strategy. More than 400 technical service personnel worked on the field all year round and conducted activities such as technical training, soil testing and formula-based fertilization as well as field guidance to safeguard farmers' planting and production, to implement the original aspiration and mission of the national rural revitalization strategy.

INTERNAL CONTROL AND MANAGEMENT

The Group's internal control and risk management system were built according to the "Internal Control-Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission in the United States, ISO Risk Management Guidelines and the "Internal Control and Risk Management – A Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants, as well as the "Central Enterprises Comprehensive Risk Management Guidelines", the "Basic Rules of Corporate Internal Control" and its referencing guidelines, and the "Central Enterprises Compliance Management Guidelines" of China and national requirements on strengthening internal control system establishment and supervision in recent years. Under the principle of "high priority, frequent monitoring and diversion as the main solution" and with risk management orientation, the Group paid attention to improving risk and internal control management mechanisms in line with the strategic development and integrated with business management. Through risk identification, assessment and response, the Group implemented whole-process risk management, alert and response measures on material risks to serve its value creation.

In the first half of 2022, in terms of building agile and effective functional headquarters and empowering the foundation for business strategy, the Group further deepened the construction of the internal risk control system: the internal control and management of the Company focused on learning from advanced management experience, and took "streamlining, high efficiency, accountability and controlled authority" as its orientation to identify risks, comprehensively promote the review, repeal and additions of the internal control system of the Company as well as conduct inspections and self-inspections on "serious financial discipline and compliance management" while actively using modern means to start online monitoring and evaluation to continuously optimize and enhance the effectiveness of the internal control system. The Group also actively promoted risk culture and raised risk awareness through various means, encouraged the management at all levels to build a safe operating environment in a scientific manner, and actively created a benign internal risk control atmosphere for "stable operation and healthy development". In the first half of 2022, the Group focused on incorporating risk management and compliance management requirements into the business process, strengthening the synergy of compliance, risk control as well as informatization and enhancing the accountability of each business unit, and actively explored differentiated mechanisms of internal risk control and management for different business units.

In the first half of 2022, the internal control and management of the Group met the compliance requirements of domestic and foreign regulatory agencies and ensured compliance and healthy development of its business. The Group's internal control and management provided a reasonable guarantee for adaptation to changes in the market and operating environment, support for the strategic transformation, protection for shareholders' interests and asset safety, and improvement of business quality and strategy implementation.

SOCIAL RESPONSIBILITY

The Group served the Chinese farmers wholeheartedly, and actively brought into play its influence and leading status in the industry. The Group 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 more than 95% of China's arable land during the key period of spring cultivation, summer sowing and autumn harvesting seasons. Meanwhile, the Group provided comprehensive and differentiated tailored services for large-scale planters and new planting entities to guide them to fertilize scientifically. By integrating high-quality resources, the Group realized complementary advantages and provided farmers with comprehensive training services such as crop nutrition, crop protection and planting techniques. While gradually developing comprehensive crop cultivation solutions across the country to help farmers reduce planting costs, improve yield and quality, and thus increase farmers' income.

Following the deployment of the Central Committee and the State Council, the Group has taken various measures to ensure supply and price stability, in line with the implementation of national policies and macro-control, thereby fulfilling its role as a State-owned enterprise Subject to safe production, the Group made every effort to ensure that its internal production capacity was fully utilized such that its products were released to the domestic market in a timely manner. By leveraging its advantages in capital, warehousing and logistics, the Group joined hands with major upstream suppliers to release more product resources to the domestic market to ensure the supply of product resources to the market, playing an active role in the negotiation of potash, securing import sources, stockpiling and promoting balanced fertilizer application. The Group has maintained its position of international hub for potash fertilizer for many years and has contributed to promoting various agricultural production to ensure food safety. With the priority given to meeting the demand for agricultural fertilizers, the Group guided users in different regions to store fertilizers during different peak periods in line with their respective agricultural seasons and according to their needs.

In the first half of 2022, the Group continued to provide crop technology consulting solutions to farmers, and accumulated more than 30,000 comprehensive technical service activities. The Group conducted more than 2,000 trials and demonstrations around the "Double Reduction and Increase Efficiency" initiative, and conducted more than 5,000 planting technology training sessions and more than 2,000 demonstration sessions through a combination of online and offline methods, and distributed more than 50,000 copies of online and offline technical solutions, directly benefiting more than 3 million farmers.

The Group has been adhering to the bottom line of food safety, sticking to the principle of storing food in the land, solving the problem of arable land, safeguarding soil health and promoting green and sustainable development. On this basis, the Group has pioneered its strategy of "soil health +", with the vision of "making every inch of land fertile for harvest". The strategy of "soil health +" is to promote sustainable and commercial transformation by integrating internal and external resources to create a soil health indicator system, an open innovation platform for soil health, a soil health product and technology system, diversified service channels, an O2O soil health digital hospital, and an open soil health ecosystem to provide diagnostic soil health assessments, soil health enhancement services and sustainable soil health management services to our customers. Focusing on solving soil problems encountered by governments and farmers, the Group reshaped the value of soil health and built the foundations of food safety and sustainability.

OUTLOOK

The environment for global economic development remains complex, with a combination of factors such as geopolitics, the resurgence of the COVID-19 pandemic and climate change pushing up food and commodity prices, and a slowdown in global economic growth adding to inflationary pressures. Through a comprehensive and effective reform program, the Chinese government has been able to make steady progress in economic development, and the economy tends to remain stable and balanced. The development of agriculture in China will continue to cope with the impact of the COVID-19 pandemic and commit to the work in "agriculture, rural areas and farmers" to promote rural revitalization comprehensively.

The Chinese government will do its utmost to consolidate the foundation of agriculture, ensure the supply of food production and important agricultural products, strengthen the foundation support of modern agriculture, firmly safeguard the bottom line of not returning to poverty on a large scale, focus on industries to promote rural development, and steadily push forward village construction. Being a leading technology-based marketing and service provider of crop nutrition in China, the Group will steadily promote the development of modern agriculture, improve farmland infrastructure and strengthen the input of high-tech agricultural products by continuously enhancing its technological power and strengthening the R&D application of new products, technologies and equipment, optimizing the service level provided to farmers, safeguarding the supply of agricultural products, and enhancing the ability of agricultural production to prevent disasters and hazards. Through the continuous precisioning of technology, services and products, the Group will strive to promote the high-quality agriculture development in China.

The year of 2022 will be full of opportunities and challenges. Under the framework of Syngenta Group China, the Group will strive to promote the widespread application of advanced science and technology in modern agriculture and insist on reform and innovation. Also, the Group will optimize its farmers-oriented services by devoting more efforts to research and development as well as the promotion of scientifically balanced fertilizer applications and products that can reduce fertilizer application and enhance efficiency. Meanwhile, the Group will continuously promote agricultural knowledge, popularize scientific fertilizer applications and help farmers to increase yield and income, striving to promote the sustainable and healthy development of agriculture in China and supporting the transformation from a largely agricultural country to a strong agricultural country. Meanwhile, the Group will continue to work on resource consolidation, adhere to its differentiated product strategy and leverage its supply chain to further create value for its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2022, sales volume of the Group was 4.71 million tons, down by 31.41% over the corresponding period in 2021. Revenue of the Company was RMB15.306 billion, up by 12.57% over the corresponding period in 2021.

For the six months ended 30 June 2022, gross profit of the Group was RMB1,500 million, up by 17.88% over the corresponding period in 2021. Profit attributable to owners of the Company was RMB998 million, up by 50.53% over the corresponding period in 2021.

I. OPERATION SCALE

1. Sales volume

For the six months ended 30 June 2022, the Group recorded sales volume of 4.71 million tons, down by 31.41% over the corresponding period in 2021. In the first half of 2022, as a result of the international economic situation, geopolitical conflicts and resurgence of the COVID-19 pandemic, fertilizer demand and supply continued to be tightly balanced with a significant increase in fertilizer prices in both the international and domestic markets. The Group adhered to its direction of strategic development, actively prevented market risks, and constantly promote professional and lean operation. It also comprehensively implemented differentiated strategies and actively integrated the synergistic advantages with the Syngenta Group. The Group improved its product competitiveness by focusing on the establishment of a crop nutrition-oriented product system.

The Group continued to optimize its product mix to transform into environmentally friendly and efficient fertilizers, forming a differentiated product pipeline. While the gross profit of nitrogen fertilizer and sulfur business had reduced significantly (a decrease of 1.34 million tons over the corresponding period in 2021), new type of phosphate fertilizers and high-end compound fertilizers have gradually become stars products. For the six months ended 30 June 2022, sales volume of differentiated products was 1.23 million tons, up by 25.21% over the corresponding period in 2021, of which, sales volume of differentiated nitrogen fertilizers was 900,000 tons, up by 40.63% over the corresponding period in 2021, and sales volume of new type of phosphate fertilizers was 150,000 tons, up by 87.50% over the corresponding period in 2021.

2. Revenue

For the six months ended 30 June 2022, the Group recorded revenue of RMB15.306 billion, up by RMB1.708 billion or 12.57% over the the six months ended 30 June 2021, mainly due to an increase in average selling prices.

Table 1:

	For the six months ended 30 June			
	2022		2021	
	Revenue	**As percentage of total revenue**	Revenue	As percentage of total revenue
	RMB'000		*RMB'000*	
Potash fertilize	**2,342,608**	**15.30%**	2,167,719	15.95%
Nitrogen fertilizer	**2,138,929**	**13.97%**	3,044,777	22.39%
Compound fertilizer	**4,646,628**	**30.36%**	3,281,313	24.13%
Phosphate fertilizer	**3,962,656**	**25.89%**	3,077,668	22.63%
Monocalcium/dicalcium phosphate ("MCP/DCP")	**786,989**	**5.15%**	459,869	3.38%
Others	**1,428,639**	**9.33%**	1,566,319	11.52%
Total	**15,306,449**	**100.00%**	13,597,665	100.00%

3. Revenue and results by segment

The operating segments of the Group are divided into Basic Fertilizers Segment (procurement and sales of straight fertilizers such as nitrogen, phosphate and potash), Distribution Segment (building of distribution channels, procurement and sales of compound fertilizers and new types of fertilizers) and Production Segment (production and sales of fertilizers and MCP/DCP).

The following is an analysis of the Group's revenue and results by operating segment for the six months ended 30 June 2022 and the six months ended 30 June 2021:

Table 2:

	For the six months ended 30 June 2022				
	Basic Fertilizers *RMB'000*	**Distribution** *RMB'000*	**Production** *RMB'000*	**Elimination** *RMB'000*	**Total** *RMB'000*
Revenue					
External revenue	**8,474,129**	**5,539,053**	**1,293,267**	**–**	**15,306,449**
Internal revenue	**1,156,611**	**10,550**	**439,162**	**(1,606,323)**	**–**
Reportable segment revenue	**9,630,740**	**5,549,603**	**1,732,429**	**(1,606,323)**	**15,306,449**
Segment profit	**527,292**	**236,142**	**330,577**	**–**	**1,094,011**

	For the six months ended 30 June 2021				
	Basic Fertilizers *RMB'000*	Distribution *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue					
External revenue	8,757,138	3,940,359	900,168	–	13,597,665
Internal revenue	589,028	3,750	207,759	(800,537)	–
Reportable segment revenue	9,346,166	3,944,109	1,107,927	(800,537)	13,597,665
Segment profit	394,853	173,259	173,631	–	741,743

Segment profit represents the profit earned by each segment without taking into account of unallocated share of results of associates and joint ventures, unallocated expenses/ income and finance costs in relation to the unallocated interest-bearing borrowings and short-term commercial paper. This is the measure reported to the Group's chief operating decision-maker for the purposes of resource allocation and segment performance assessment.

For the six months ended 30 June 2022, the external revenue increased by RMB1,708 million or 12.57% over the six months ended 30 June 2021, which was mainly attributable to the increase in the price of fertilizer products.

For the six months ended 30 June 2022, the segment profit of the Group was RMB1,094 million. In particular, the Basic Fertilizers Segment comprehensively solidified its partnership with strategic suppliers to strengthen its access to quality resources and leveraged on its supply chain strengths to ensure the market demand and supply in the basic fertilizer market. In the first half of 2022, the Basic Fertilizers Segment made a profit of RMB527 million, up by 33.54% over the corresponding period last year. The Distribution Segment insisted on optimising channel structure and product mix, with the percentage of high margin customers and products increasing year by year. In the first half of 2022, the Distribution Segment made a profit of RMB236 million, up by 36.29% over the corresponding period last year. Overcoming the adverse impact of rising material prices, the Production Segment took full advantage of their resource advantages to make every effort to ensure stable, long-lasting and optimal operations. In the first half of 2022, the Production Segment made a profit of RMB331 million, up by 90.39% over the corresponding period last year.

II. PROFIT

1. Share of results of joint ventures and associates

Share of results of joint ventures: For the six months ended 30 June 2022, the Group's share of results of joint ventures amounted to RMB73 million, representing a decrease of 40.65% as compared with the share of results of joint ventures of RMB123 million for the six months ended 30 June 2021, which was mainly attributed to the share of results of Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. amounted to RMB48 million, representing a decrease of RMB52 million over the corresponding period last year; and the share of results of Gansu Wengfu Chemical Co., Ltd. was a profit of RMB25 million, representing an increase of RMB2 million over the corresponding period last year.

Share of results of associates: For the six months ended 30 June 2022, the Group's share of results of associates was a profit of RMB13 million, representing an increase of RMB42 million as compared with a loss of the share of results of associates of RMB29 million for the six months ended 30 June 2021, which was mainly attributed to the share of results of Yangmei Pingyuan Chemical Co., Ltd. amounted to RMB3 million, representing an increase of RMB36 million over the corresponding period last year.

2. Income tax

For the year ended 30 June 2022, the Group's income tax expense was RMB45 million, of which current income tax expense was RMB49 million and deferred income tax expense was RMB-4 million. In first half of 2022, the taxable profit of subsidiaries of the Group increased over the previous year due to an improvement of business performance. As a result, current income tax expense increased by 88.46% compared with the corresponding period last year.

The subsidiaries of the Group are mainly registered in Mainland China, Macao, Hong Kong and Singapore, respectively, where income tax rates vary. Among them, the income tax rate of Mainland China is 25%, while the income tax rate of Macao, Hong Kong and Singapore is 12%, 16.5% and 17%, respectively. The Group strictly complies with the taxation laws of the respective jurisdictions and pays taxes accordingly.

3. Profit attributable to owners of the Company and net profit margin

For the six months ended 30 June 2022, profit attributable to owners of the Company was RMB998 million, representing a significant increase in the profit attributable to owners of the Company by 50.53% compared with RMB663 million for the six months ended 30 June 2021. Faced with severe supply chain pressure and fierce market competition, the Group adhered to the direction of strategic development, took various operational measures, increased shares of sales of differentiated products, enhanced customer service capabilities, carried out a series of technical reform as well as scientific and technological innovations, and constantly deepened business transformation.

For the six months ended 30 June 2022, the net profit margin of the Group, calculated by dividing profit attributable to owners of the Company by revenue, was 6.52%, representing an increase of 1.64 percentage points over the same period of last year.

III. EXPENSES

For the six months ended 30 June 2022, the three categories of expenses amounted to RMB583 million, down by RMB153 million or 20.79% compared with RMB736 million for the six months ended 30 June 2021, of which:

Selling and distribution expenses: For the six months ended 30 June 2022, selling and distribution expenses amounted to RMB318 million, down by RMB101 million or 24.11% compared with RMB419 million for the six months ended 30 June 2021. This was mainly attributable to the decrease in product sales as compared with the corresponding period last year, as the Group responded to the national call for fertilizer application reduction and efficiency enhancement and promoted the entire fertilizer industry towards green and low-carbon development.

Administrative expenses: For the six months ended 30 June 2022, administrative expenses amounted to RMB261 million, down by RMB43 million or 14.14% compared with RMB304 million for the six months ended 30 June 2021. This was mainly attributable to the Group's continued efforts in optimization on its organizational structure and enhancement on management efficiency.

Finance costs: For the six months ended 30 June 2022, finance costs amounted to RMB4 million, down by RMB9 million or 69.23% compared with RMB13 million for the six months ended 30 June 2021. This was mainly attributable to a reduction in average loan scale and interest rates as a result of the Group's improved capital management.

IV. OTHER INCOME AND GAINS

This mainly consisted of interest income, sales of scrapped material and raw materials, and government grants. For the six months ended 30 June 2022, the Group's other income and gains amounted to RMB63 million, down by RMB9 million or 12.50% compared with RMB72 million for the six months ended 30 June 2021, mainly due to a decrease in interest income as a result of the recovery of the principal amount of the Group's entrusted loan to Sinochem Agriculture Holdings Limited ("Sinochem Agriculture").

V. OTHER EXPENSES AND LOSSES

This mainly consisted of impairment loss of assets and write-down of inventories. For the six months ended 30 June 2022, the Group's other expenses and losses amounted to RMB12 million, down by RMB21 million or 63.64% compared with RMB33 million for the six months ended 30 June 2021. This was mainly due to the decrease in impairment loss on assets over the same period of last year.

VI. INVENTORIES

As at 30 June 2022, the inventories balance of the Group amounted to RMB4,213 million, down by RMB589 million or 12.27% compared with RMB4,802 million as at 31 December 2021. The Group strictly controlled the scale of risk exposure to reduce operational risk and accelerate inventory turnover days. The inventory turnover days in the first half of 2022 was 59 days, 7 days faster than that in the corresponding period last year.

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 180 days.

VII. TRADE AND BILLS RECEIVABLES

As at 30 June 2022, the balance of the Group's trade and bills receivables amounted to RMB777 million, increased by RMB50 million or 6.88% compared with RMB727 million as at 31 December 2021, which was mainly due to an increase in the Group's revenue over the same period of last year. The Group actively prevented credit risk, and the turnover days of trade and bills receivables in the first half of 2022 was 9 days, 3 days faster than the turnover days in the first half of 2021.

Note: Calculated on the basis of average trade and bills receivables balance as at the end of the reporting period divided by revenue, and multiplied by 180 days.

VIII. LOANS TO RELATED PARTIES

As at 30 June 2022, the Group's loans to related parties amounted to RMB520 million, all of which were for the provision of funds to Sinochem Agriculture.

IX. INTERESTS IN JOINT VENTURES AND ASSOCIATES

As at 30 June 2022, the balance of the Group's interests in joint ventures and associates amounted to RMB1,348 million, up by RMB63 million or 4.9% compared with RMB1,285 million as at 31 December 2021, mainly due to the increase in the profit of joint ventures and associates. In the first half of 2022, accounted under the equity method, the Group's share of investment gains of joint ventures and associates amounted to a total of RMB86 million. The share of dividends of Gansu Wengfu Chemical Co., Ltd. and Guizhou Xinxin during the period amounted to RMB10 million and RMB13 million, respectively.

X. OTHER EQUITY SECURITIES

As at 30 June 2022, the balance of the Group's other equity securities amounted to RMB233 million, down by RMB78 million compared with RMB311 million as at 31 December 2021. The decrease was mainly attributable to the disposal of the shares held by the Group in China XLX Fertiliser Ltd..

XI. INTEREST-BEARING LIABILITIES

As at 30 June 2022, the Group's interest-bearing liabilities amounted to RMB1,622 million, increased by RMB528 million or 48.26% compared with RMB1,094 million as at 31 December 2021, which was mainly due to the increase in bank borrowings during the period. For detail information of the interest-bearing liabilities, please see the "XV Liquidity and Financial Resources" section.

XII. TRADE AND BILLS PAYABLES

As at 30 June 2022, the balance of the Group's trade and bills payables amounted to RMB2,714 million, increased by RMB302 million or 12.52% compared with RMB2,412 million as at 31 December 2021, which was mainly due to an increase in the balance of trade payable.

XIII. OTHER PAYABLES AND PROVISION

As at 30 June 2022, the balance of the Group's other payables and provision amounted to RMB1,770 million, increased by RMB462 million or 35.32% compared with RMB1,308 million as at 31 December 2021, which was mainly due to the provision of RMB343 million for dividends payable.

XIV. OTHER FINANCIAL INDICATORS

Basic earnings per share for the six months ended 30 June 2022 was RMB0.1421, which increased by 50.53% compared with the corresponding period in 2021. Return on equity (ROE) for the six months ended 30 June 2022 was 10.99%, up by 3.26 percentage points compared with the corresponding period in 2021.

Table 3:

	For the six months ended 30 June	
	2022	2021
Profitability		
Earnings per share *(RMB)* *(Note 1)*	**0.1421**	0.0944
ROE *(Note 2)*	**10.99%**	7.73%

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

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

As at 30 June 2022, the Group's current ratio was 1.45, and the debt-to-equity ratio was 16.80%. The Group enjoyed relatively high banking facilities, and its domestic credit rating was AAA. In addition, the Group had smooth financing channels and diversified fund-raising methods.

Table 4:

	As at 30 June 2022	As at 31 December 2021
Solvency		
Current ratio *(Note 1)*	**1.45**	1.27
Debt-to-Equity ratio *(Note 2)*	**16.80%**	20.29%

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

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

XV. LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2022, cash and cash equivalents of the Group amounted to RMB2,879 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 30 June 2022 *RMB'000*	As at 31 December 2021 *RMB'000*
Bank boans	**1,530,812**	1,041,215
Lease liabilities	**91,280**	52,526
Total	**1,622,092**	1,093,741

Table 6:

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Carrying amount of interest-bearing liabilities		
Within one year	**222,996**	85,220
Over one year	**1,399,096**	1,008,521
Total	**1,622,092**	1,093,741

Table 7:

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Fixed-rate interest-bearing liabilities	**141,280**	52,526
Variable-rate interest-bearing liabilities	**1,480,812**	1,041,215
Total	**1,622,092**	1,093,741

As at 30 June 2022, the Group had banking facilities equivalent to RMB30,922 million, including US$895 million and RMB24,915 million, respectively. The unutilized banking facilities amounted to RMB27,305 million, including US$703 million and RMB22,585 million, respectively.

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

XVI. OPERATION AND FINANCIAL RISKS

The Group's major operation risks include the continuing spread of the COVID-19 pandemic, global economic slowdown, tightened external environment, economic and trade frictions one after another, and intensified protectionism. Due to the impact of the recurring pandemic, economic growth slowed quarterly and downward pressure continued to increase. Market competition in the fertilizer industry was intensified under the background of fertilizer application reduction and efficiency improvement, energy conservation and environmental protection as well as acceleration of industry integration. The Group took initiative to cope with great changes in the domestic and international environment and achieved significant improvement in its results during the period as compared to the same period of last year, which boosted its business confidence. On the one hand, the basic business strengthened the acquisition of resources, focused on deepening channels, expanded business scale, brand status and profitability, and consolidated its overall market competitiveness; on the other hand, the Group promoted strategic transformation and resource integration, adjusted and optimized the capacity structure, strengthened internal coordination with Syngenta Group, promoted and enhanced innovative businesses such as technical services and Fertex to looked for new points of profit growth, and enhanced the potential for business growth, which would reduce the negative impact of operation risks on the financial performance of the Group.

Besides, the Group's major operation risks include: environmental and social risks, cyber risk and security, risks associated with data fraud or theft.

Environmental and social risks

With the increasingly strict requirements on environmental protection management and intensive efforts in pollution control from the government, the enterprises were required to attach great importance to ecological civilization and environmental protection. The subsidiaries of the Group, engaged in resource development and fertilizer production, strictly complied with laws and regulations such as the Environmental Protection Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China as well as the Water Pollution Prevention and Control Law of the People's Republic of China. By strict investigation and management on corporate environmental risk sources, they implemented specific control measures to prevent and control pollution of air, surface water, underground water and soil. In addition, they formulated emergency plans for sudden environmental pollution incidents, equipped themselves with necessary emergency disposal materials, seriously performed emergency response drills, and timely launched emergency plans to limit production during heavy pollution weather. No environmental pollution accident occurred throughout the first half of 2022.

Cyber risk and security

With the continuous improvement in information technology of enterprises, the network environment has become increasingly complicated, and the number of information systems has been multiplied. Therefore, the possibility of internet failure and system breakdown also increases rapidly. The Group vigorously develops innovative business to enhance its market influence, and meanwhile, the risk from cyberattacks to the information system also increases.

The Group continuously optimizes the information system to enhance the capability of cyber security protection and emergency response. Besides, the Group regularly conducts cyber security inspections and other related work, and accomplishes security protection of the application system as well as the network inside and outside the office according to the protection requirements at different levels so as to minimize cyber risk and avoid cyber security incidents.

Risks associated with data fraud or theft

In order to keep state secrets and protect trade secrets, the Group has established a relatively complete confidentiality management system, including Administrative Measures on Confidentiality and Catalog of Trade Secrets.

The Group takes various promotional and educational measures annually to enhance the employees' awareness of information confidentiality and to urge the employees to be alert. The Group selects certain subsidiaries and assesses their information confidentiality work every year. Through interviews with subsidiaries' employees related with confidentiality, examination on relevant systems and record documents, reviews on previous confidential documents and on-site observation, the Group conducts investigation on the arrangement of institutions and personnel, establishment of information confidentiality system, secret classification management and information system management, and requires the units under investigation to submit rectification reports within a time limit.

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 the unfavorable change in exchange rates that may have an impact on the Group's financial results and cash flows. Interest rate risk represents the unfavorable change in interest rates that may lead to changes in the fair value of the Group's fixed-rate borrowings and other deposit. Other price risk represents the risk related to the value of the Group's 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 have an impact on the import and export prices. The management of the Group has always taken prudent measures like foreign exchange forward to hedge exchange rate risk, and continued to monitor and control the above-mentioned risks so as to mitigate the potential adverse 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 recognized and recorded in the consolidated statement of financial position on 30 June 2022. If there was a lack of credit risk management, bad debt losses, as a result of uncollectible accounts and unavailable inventory after advance payment, might influence normal operations of the Group.

The Group had adequate management procedures, response mechanisms and supervision measures in respect of granting credit line and credit period, collection of overdue accounts and other related aspects. Through credit evaluation, transaction management, process monitoring and disposal of overdue accounts for credit customers, the Group developed risk management strategies and measures to prevent and control the risk, allocated more credit resources to strategic and high-quality core customers and suppliers, and transferred bad debt risks by a proper utilization of various risk protection measures, so as to ensure that the credit business was monitored and guaranteed. Meanwhile, the Group examined the recovery of its major trade receivables on the settlement date every month to ensure a sufficient bad debt provision for unrecoverable accounts, and therefore, credit risk incidents rarely occurred.

Liquidity risk

Liquidity risk may lead to inadequate capital to meet the demand of daily working capital and repayment of debt at maturity. 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 size of pre-collections during the sales season to maintain a better operating cash flow. The Group reasonably allocated short and long-term funding requirements, and constantly optimized capital structure to meet the demand of working capital and repayment of liabilities at maturity.

XVII. CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no contingent liabilities.

XVIII. CAPITAL COMMITMENTS

Table 8:

	As at 30 June 2022	As at 31 December 2021
	RMB'000	*RMB'000*
Contracted but not provided for		
– Property, plant and equipment	**601,947**	1,092,504
Authorized but not contracted for		
– Property, plant and equipment	**838,359**	896,365
Total	**1,440,306**	1,988,869

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

XIX. MATERIAL INVESTMENTS

Among the Group's material investments as at 30 June 2022, the main project was the project of Sinochem Fuling with an annual production capacity of 200,000 tons of fine phosphate and supporting new-type special fertilizers, located in Baitao Industrial Park of Fuling, Chongqing, the accumulated total expenditures was RMB2.45 billion, and the amount of its recycled production devices and equipment from old plants was RMB75 million. According to the relocation investment plan, the total investment of the project is RMB3,292 million.

XX. HUMAN RESOURCES

The key components of the Group's remuneration package include basic salary, and where applicable, other allowances, annual performance bonus and other rewards, 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, i.e., 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. Meanwhile, the Group also aims at maintaining the competitiveness of the overall compensation to help the Group to recruit, retain and motivate high-caliber employees required for the development of the Group.

The emoluments payable to Directors are determined with reference to the responsibilities, qualifications, experience and performance of the Directors. They include performance bonus primarily based on the results of the Group and other rewards granted based on specific circumstances. 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 emolument.

The Group reviews its remuneration policy annually and, if necessary, engages professional consultants, to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 30 June 2022, the Group had about 4,460 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 the first half of 2022, the Group organized trainings of around 12,558 person-times (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 trainings will further improve the management skills and professional standards of the management of the Group and enhance the overall quality of the employees to cater to the Group's rapid developments, and improve the competitiveness of the Group.

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

The board of directors (the "Board") of Sinofert Holdings Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2022 – unaudited

		Six months ended 30 June	
	Note	**2022**	2021
		RMB'000	*RMB'000*
Revenue	*3*	**15,306,449**	13,597,665
Cost of sales		**(13,805,991)**	(12,324,755)
Gross profit		**1,500,458**	1,272,910
Other income and gains		**63,008**	72,089
Selling and distribution expenses		**(317,964)**	(418,677)
Administrative expenses		**(261,495)**	(304,088)
Other expenses and losses		**(12,207)**	(33,036)
Profit from operations		**971,800**	589,198
Share of results of associates		**12,947**	(28,616)
Share of results of joint ventures		**72,757**	123,365
Gain on disposal of a subsidiary		**–**	25,932
Finance costs	*4(a)*	**(3,871)**	(13,450)
Profit before taxation	*4*	**1,053,633**	696,429
Income tax	*5*	**(44,670)**	(21,723)
Profit for the period		**1,008,963**	674,706
Profit for the period attributable to:			
– Owners of the Company		**998,350**	663,419
– Non-controlling interests		**10,613**	11,287
		1,008,963	674,706

	Note	Six months ended 30 June 2022 RMB'000	2021 RMB'000
Profit for the period		**1,008,963**	674,706
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		**12,641**	145,474
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**34,259**	(37,233)
Other comprehensive income for the period		**46,900**	108,241
Total comprehensive income for the period		**1,055,863**	782,947
Total comprehensive income attributable to:			
– Owners of the Company		**1,045,250**	771,660
– Non-controlling interests		**10,613**	11,287
		1,055,863	782,947
Earnings per share	*6*		
Basic and diluted (RMB)		**0.1421**	0.0944

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 – unaudited

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment		**4,125,044**	3,742,989
Right-of-use assets		**667,694**	469,604
Mining rights		**333,088**	346,747
Intangible assets		**14,109**	14,962
Goodwill		**835,955**	822,551
Interests in associates		**705,761**	630,804
Interests in joint ventures		**641,832**	654,047
Other equity securities		**233,300**	310,744
Prepayments for acquisition of property, plant and equipment		**224,714**	191,783
Deferred tax assets		**82,201**	80,656
Other long-term assets		**34,631**	30,335
		7,898,329	7,295,222
Current assets			
Inventories		**4,212,616**	4,801,502
Trade and bills receivables	*8*	**776,885**	726,503
Other receivables and prepayments		**1,610,977**	1,942,690
Loans to a related party		**520,000**	620,000
Other financial assets		**1,156**	2,737
Restricted bank deposits		**30,483**	16,930
Cash and cash equivalents		**2,878,537**	1,313,892
Other current assets		**910,729**	775,017
		10,941,383	10,199,271

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Current liabilities			
Trade and bills payables	*9*	**2,713,632**	2,412,497
Contract liabilities		**2,801,619**	3,319,138
Other payables and provision		**1,770,296**	1,307,643
Bank loans		**166,312**	52,215
Lease liabilities		**56,684**	33,005
Tax liabilities		**52,660**	33,825
		7,561,203	7,158,323
Net current assets		**3,380,180**	3,040,948
Total assets less current liabilities		**11,278,509**	10,336,170
Non-current liabilities			
Bank loans		**1,364,500**	989,000
Lease liabilities		**34,596**	19,521
Deferred income		**70,161**	184,132
Deferred tax liabilities		**133,381**	138,073
Other long-term liabilities		**19,422**	21,720
		1,622,060	1,352,446
NET ASSETS		**9,656,449**	8,983,724
CAPITAL AND RESERVES			
Issued equity		**5,887,384**	5,887,384
Reserves		**3,533,291**	2,855,684
Total equity attributable to owners of the Company		**9,420,675**	8,743,068
Non-controlling interests		**235,774**	240,656
TOTAL EQUITY		**9,656,449**	8,983,724

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

1 Basis of preparation

The unaudited condensed consolidated financial information of the Group have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited condensed consolidated financial information have been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of the unaudited condensed consolidated financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

2 Changes in accounting policies

The Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA to this unaudited condensed consolidated financial information for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*

- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

None of these developments has had a material effect on how to the Group's results and financial position for the current period have been prepared or presented in this unaudited condensed consolidated financial information.

3 Revenue and segment reporting

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines and geographical location of customers is as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products of service lines		
– Sales of potash fertilizer	**2,342,608**	2,167,719
– Sales of nitrogen fertilizer	**2,138,929**	3,044,777
– Sales of compound fertilizer	**4,646,628**	3,281,313
– Sales of phosphate fertilizer	**3,962,656**	3,077,668
– Sales of monocalcium/dicalcium phosphate ("MCP/DCP")	**786,989**	459,869
– Sales of special fertilizer	**258,390**	316,033
– Sales of other products	**1,170,249**	1,250,286
	15,306,449	13,597,665
Disaggregated by geographical location of customers		
– Mainland China	**14,676,391**	13,137,057
– Others	**630,058**	460,608
	15,306,449	13,597,665

All revenue from contracts with customers is recognized at point in time.

(b) Segment reporting

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

- 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 types of fertilizers
- Production: production and sales of fertilizers and MCP/DCP, and also including share of results of associates held by subsidiaries in Production segment

	For the six months ended 30 June 2022				
	Basic Fertilizers	**Distribution**	**Production**	**Elimination**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
External revenue	**8,474,129**	**5,539,053**	**1,293,267**	**–**	**15,306,449**
Internal revenue	**1,156,611**	**10,550**	**439,162**	**(1,606,323)**	**–**
Reportable segment revenue	**9,630,740**	**5,549,603**	**1,732,429**	**(1,606,323)**	**15,306,449**
Share of results of associates	**–**	**–**	**5,880**	**–**	**5,880**
Segment profit	**527,292**	**236,142**	**330,577**	**–**	**1,094,011**
Unallocated share of results of associates					**7,067**
Unallocated share of results of joint ventures					**72,757**
Unallocated expenses					**(164,008)**
Unallocated income					**43,806**
Profit before taxation					**1,053,633**

	For the six months ended 30 June 2021				
	Basic Fertilizers	Distribution	Production	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
External revenue	8,757,138	3,940,359	900,168	–	13,597,665
Internal revenue	589,028	3,750	207,759	(800,537)	–
Reportable segment revenue	9,346,166	3,944,109	1,107,927	(800,537)	13,597,665
Share of results of associates	–	–	(322)	–	(322)
Segment profit	394,853	173,259	173,631	–	741,743
Unallocated share of results of associates					(28,294)
Unallocated share of results of joint ventures					123,365
Unallocated expenses					(197,949)
Unallocated income					57,564
Profit before taxation					696,429

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without taking into account of unallocated share of results of associates and joint ventures, gain on disposal of a subsidiary, unallocated expenses/income and finance costs in relation to the unallocated interest-bearing borrowings and short-term commercial paper. This is the measure reported to the Group's CODM for the purposes of resource allocation and performance assessment.

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. Such information was not reviewed by the CODM. As such, no segment assets and liabilities are presented.

4 Profit before taxation

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

(a) Finance costs

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Interest on borrowings	**36,663**	30,875
Interest on lease liabilities	**2,261**	1,619
Less: interest expense capitalized *(Note)*	**(35,053)**	(19,044)
	3,871	13,450

Note: The capitalization rate used to determine the amount of borrowing costs eligible for capitalization related to construction of plant is 4.47% for the current period (the corresponding period in 2021: 2.90%).

(b) Other items

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Depreciation charge		
– owned property, plant and equipment	**84,611**	75,579
– right-of-use assets	**26,065**	27,622
Amortization of mining rights	**13,659**	16,669
Amortization of other long-term assets	**9,457**	5,969
Release of deferred income	**(3,891)**	(3,790)
Impairment loss on property, plant and equipment	**–**	12,628
Impairment of trade and bills receivables	**–**	213
Impairment of other receivables	**2,181**	–
(Net reversal of)/write-down of inventory	**(730)**	13,735
(Gain)/loss on disposal of property, plant and equipment	**(2,593)**	8
Gain on disposal of a subsidiary	**–**	(25,932)

5 Income tax

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Current tax – PRC Enterprise Income Tax	**49,385**	26,330
Deferred taxation	**(4,715)**	(4,607)
	44,670	21,723

(i) The provision for Hong Kong Profits Tax is calculated by applying at 16.5% (2021: 16.5%) of the estimated assessable profits for the six months ended 30 June 2022.

(ii) The provision for the PRC Enterprise Income Tax is based on the statutory rate of 25% (2021: 25%) on the estimated taxable profits determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain subsidiaries of the Group which enjoy a preferential tax rate according to related tax policies.

(iii) The provision for Macao Special Administrative Region Tax is calculated by applying at 12% (2021: 12%) of the estimated assessable profits for the six months ended 30 June 2022.

(iv) The provision for Singapore Profits Tax is calculated by applying at 17% (2021: 17%) of the estimated assessable profits for the six months ended 30 June 2022.

6 Earnings per share

The calculation of basic earnings per share is as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Profit attributable to owners of the Company		
Profit for the purpose of basic earnings per share	**998,350**	663,419
	'000 shares	*'000 shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,024,456**	7,024,456

The Group has no dilutive ordinary shares outstanding for the periods ended 30 June 2022 and 2021. Therefore, there was no difference between basic and diluted earnings per share.

7 Dividends

(a) Dividends payable to equity shareholders of the Group attributable to the interim period

The Board of Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2022 (the corresponding period in 2021: nil).

(b) Dividends payable to equity shareholders of the Group attributable to the previous financial year, approved during the interim period

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year of HK$0.0528 per share (the corresponding period in 2021: HK$0.0327 per share).	**317,186**	191,133

8 Trade and bills receivables

	At 30 June	At 31 December
	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**392,478**	41,297
Less: loss allowance	**(3,382)**	(4,212)
	389,096	37,085
Bills receivable	**398,839**	700,468
Less: allowance for doubtful debts	**(11,050)**	(11,050)
	387,789	689,418
Total trade and bills receivables, net of loss allowance	**776,885**	726,503

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

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Within 3 months	**619,833**	269,859
Over 3 months but within 6 months	**142,509**	346,946
Over 6 months but within 12 months	**8,673**	103,804
Over 12 months	**5,870**	5,894
	776,885	726,503

Before accepting any new customer, the Group assesses the potential customer's credit quality and set a credit limit for each customer. Credit limits are reviewed regularly.

9. Trade and bills payables

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Trade payables	**1,853,255**	1,437,274
Bills payable	**860,377**	975,223
Trade and bills payables	**2,713,632**	2,412,497

As at the end of the reporting period, the aging analysis of trade and bills payables presented based on the invoice date is as follows:

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Within 3 months	**1,728,108**	1,785,099
Over 3 months but within 6 months	**735,398**	482,616
Over 6 months but within 12 months	**223,312**	115,935
Over 12 months	**26,814**	28,847
	2,713,632	2,412,497

INTERIM DIVIDEND

The Board did not recommend the declaration of interim dividend for the six months ended 30 June 2022.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed, with the management and the external auditors, the condensed consolidated financial statements of the Company for the six months ended 30 June 2022, including the review of the accounting principles and practices adopted by the Group. The Audit Committee has also discussed with the management about auditing, risk management, internal controls, and financial reporting matters of the Group.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the 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. The Company has made specific enquiries with all directors of the Company, and all directors confirmed that they had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2022.

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 period.

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, and complies with the applicable corporate governance standards contained in relevant code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2022 and up to the date of this announcement, except for the deviations from the code provisions C.5.7 and F.2.2 as described below.

The code provision C.5.7 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 period and up to the date of this announcement, the Board approved a connected transaction and a continuing connected transaction by circulation of written resolutions in lieu of physical board meeting, for which no directors of the Company are regarded as having material interests therein. The Board considered that the adoption of written resolutions in lieu of physical board meeting allowed 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 F.2.2 provides that, among others, the chairman of the board should attend the annual general meeting of the listed issuer. As a result of the then existing epidemic prevention and control and the regulations on entry restrictions, Mr. J. Erik Fyrwald did not come to Hong Kong to chair the annual general meeting of the Company held on 17 June 2022 (the "2022 AGM"). In accordance with the bye-laws of the Company, Mr. Harry Yang, an executive director of the Company, was elected by the directors to chair the 2022 AGM. Respective chairmen and/or members of the audit, remuneration, nomination and corporate governance committees of the Company were present at the 2022 AGM and were available to answer relevant questions, which was in compliance with other part of code provision F.2.2.

Save as disclosed above, please refer to the "Corporate Governance Report" contained in the Company's 2021 annual report for more information about the corporate governance of the Company.

BOARD OF DIRECTORS

As at the date of this announcement, the executive directors of the Company are Mr. Qin Hengde (Chief Executive Officer), Mr. Feng Mingwei and Mr. Harry Yang; the non-executive director of the Company is Mr. J. Erik Fyrwald (Chairman); 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
SINOFERT HOLDINGS LIMITED
Qin Hengde
Executive Director and Chief Executive Officer

Hong Kong, 23 August 2022