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 2021

FINANCIAL HIGHLIGHTS

- The Group's sales volume was 10.40 million tons (2020: 12.17 million tons), decreased by 14.54% year on year
- The Group's turnover was RMB22,641 million (2020: RMB21,381 million), increased by 5.89% year on year
- Profit for the year attributable to owners of the Company was RMB867 million (2020: RMB644 million), increased by 34.63% year on year
- Basic earnings per share for the year was RMB0.1234 (2020: RMB0.0917), increased by 34.57% year on year
- The Board recommended the payment of a final dividend of HK$0.0528 per share (equivalent to approximately RMB0.0432 per share) (2020: HK$0.0327, equivalent to approximately RMB0.0275)

CHAIRMAN'S STATEMENT

To shareholders,

On behalf of the Board of Directors (the "**Board**"), I hereby report to all shareholders the annual results of Sinofert Holdings Limited (the "**Company**")and its subsidiaries (collectively known as the "**Group**") for the year ended 31 December 2021.

In 2021, affected by the impacts of the global pandemic, international imported inflation and disruptions in industrial and supply chain cycles, bulk commodity prices have soared. Facing such overwhelming market challenges, the Group firmly implemented various strategic initiatives determined at the beginning of the year. By adopting various professional operational measures including innovative digital marketing model, channel coordination and differentiation, the Group managed to seize market opportunities. Under the guidance of Sinochem and Syngenta Group, the Group remained positive and diligent to overcome difficulties, thereby achieving fruitful results on various fronts. In 2021, profit attributable to owners of the Company was RMB867 million, up by 35% year on year. The operating indicators performed well, and the debt to assets structure was steady with a relatively strong solvency.

The Basic Fertilizers Division actively explored new strategic suppliers, continuously focused on strategic procurement, strengthened the relationship with its core suppliers to ensure a steady supply of high-quality products, and secured the demand for industrial and agricultural production. The Group also strengthened the downstream channels, promoted differentiated basic fertilizers, and enhanced its technical services and its ability to meet customers' needs. By leveraging innovation and transformation and striving for operational excellence, the number of registered users, volume of logistics transportation and transaction volume of Fertex have been increasing. By upgrading its services and functions, Fertex has successfully introduced strategic investment. The service models for green planting have been successfully piloted and continuously iterated. The market influence of potash for agriculture was further enhanced, and the sales volume and profit of Meilinmei series products and differentiated nitrogen fertilizer have reached new highs. In 2021, profit before taxation of the Basic Fertilizers Division amounted to RMB600 million, representing a year on year increase of 18%, continuing to be the anchor for profits.

The Distribution Division continued its robust growth. Capitalizing on the synergy arising from research, production and sales and continuous adjustments of the product structure, the gross profit margin has been increasing. By focusing on crop orientation and developing a 6P marketing plan for the three major staples, our high-end product, namely Lanlin, has made certain breakthroughs. The proportion of core single product has increased significantly. Through expanding diversified channels and improving our technical service capabilities, our direct retailers, large-scale planting companies and customers from special channels accounted for 60% of our sales. By actively coordinating with Syngenta Group's internal resources, the crop protection business has surged in size and recorded an annual turnover of RMB420 million. In 2021, the sales volume of special fertilizers and various differentiated compound fertilizers were 1,000,000 tons, up by 37% year on year, accounting for 61% of domestic fertilizers. Profit before taxation of the Distribution Division amounted to RMB166 million, up by 11% year on year.

Overcoming the adverse effects of dual energy control and rising prices of raw materials such as coal and sulfur, the production enterprises made every effort to ensure stable, long-lasting and optimal operations. At the same time, the production enterprises seized the favorable opportunity arising from surging prices of synthetic ammonia and MCP/DCP. As a result, the gross profit margin hit a record high. The annual sales volume amounted to 650,000 tons in aggregate. Profit before taxation amounted to RMB277 million. The accumulative investment in the relocation project of Sinochem Chongqing Fuling Chemicals Co., Ltd. ("Sinochem Fuling") amounted to RMB1.695 billion. 78% of the overall visual progress has been completed. The project progress and quality have met predetermined requirements.

The R&D team steadily expanded, while the R&D investment steadily increased. The Group has confirmed its research and development direction of "nutrient efficiency + soil health + biologics". By leveraging the integrated mechanism of research, production and sales, commercialization of research results was further improved. The annual production and sales volume of commercialized products exceeded 1,000,000 tons for the first time. New breakthroughs have also been made in the construction of R&D platforms. In December 2021, the "National Engineering Research and Development Center for Arable Land Protection" jointly established by the Group and Chinese Academy of Agricultural Sciences was approved by the National Development and Reform Commission, marking the first time that the Company obtained national-level R&D platform qualification.

Amid such challenging market environment, 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 Code of the Stock Exchange, the Company's Board of Directors held four regular meetings in 2021 at which the Company's annual report, interim report, strategies and planning and other significant matters were reviewed and approved. Meanwhile, the Board also reviewed and approved other matters such as connected transactions, continuing connected transactions, significant business and financing matters through other means. The Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee of the Board had all fulfilled their respective duties and rights as delegated by the Board on such matters as improving internal control, optimizing the remuneration and motivation systems and perfecting the corporate governance structure.

In 2022, clouded by the global COVID-19 pandemic and increased uncertainty to the global economic recovery caused by the Russia-Ukraine conflict and inflation, China's fertilizer industry is still facing difficult environments. Production cost and supply chain of the industry will be under pressure with the divergence of fertilizer enterprises. Meanwhile, with strong economic recovery in China, the Chinese government continued to attach great emphasis on agricultural modernization, as expressed in the Circular No.1 entitled "Opinions on Key Issues of Comprehensive Promotion of Rural Revitalization", which was officially announced on 22 February 2022, being the 19th of such documents since the beginning of the new century. As such, new progress has been made in promoting rural revitalization, launching a new chapter in agricultural and rural area modernization. This will create important opportunities for the Group's innovative operations and business transformation.

In 2022, the Group will continue to focus on business transformation and upgrading, follow the trend of the rapidly changing fertilizer industry in China, and take root in modern agriculture to promote healthy and sustainable development of arable land, thereby leading the industry in green emission reduction and innovation. The Group will also streamline its operational structure to achieve stable and sustainable growth. The Basic Fertilizers Division will continue to strengthen strategic procurement and marketing systems for agricultural and industrial customers. At the same time, the Basic Fertilizers Division will also focus on ensuring supply and stabilizing prices, accelerating innovation and transformation, creating synergies and improving efficiency, and implementing strategies to double the sales of potash fertilizer and strive for phosphate fertilizer innovation. The Distribution Division will adhere to its differentiated product strategy and strengthen the internal coordination within Syngenta Group. In addition, the Distribution Division will facilitate all-round cooperation in terms of channels and customer development, product expansion and package sales. By focusing on crop orientation, the Distribution Division will promote product upgrades, achieve digital transformation of traditional distribution channels and improve the level of digitalization. By rapidly increasing the number of users of "Nong Xiao Hui", and "Nong Da Quan", the Distribution Division aims at maximizing its channel value. The production subsidiaries will accelerate transformation and upgrading and promote the "move for better and stronger" relocating work of Sinochem Fuling. The Group will continue to improve product R&D and commercialization capabilities, and push forward the construction of a highly efficient R&D and innovation platform for fertilizers with the Linyi R&D Centre at its core. Meanwhile, by adhering to the vision of "In Science We Trust", the Group will achieve faster transformation and development under the framework of Syngenta Group and strive to become the most innovative leading crop nutrition enterprise in China.

The year of 2022 will be full of opportunities and challenges. Under the framework of Syngenta Group, the Group will vigorously promote the development of modern agriculture by taking technology and innovation as the dual drivers. Also, the Group will devote more efforts into the research and development as well as promotion of scientifically balanced fertilizer application and products that can reduce fertilizer application and enhance efficiency. Meanwhile, the Group will continuously promote agricultural knowledge, popularize scientific fertilizer application and help farmers to increase yield and income, thereby making efforts in promoting the agricultural transformation and developing sustainable and healthy agricultural industry in China.

Last but not the least, on behalf of the Board of Directors, I would like to extend our deep appreciations 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 members and staff of the Company will bear in mind the vision of "In Science We Trust", and work ever harder to continuously make contribution to the development of the Group.

J. Erik Fyrwald
Chairman of the Board

Hong Kong, 22 March 2022

MANAGEMENT REVIEW AND PROSPECT

Business Environment

In 2021, with the acceleration of global vaccination and gradually lifting of lockdown measures in various countries, the global economy has been showing regional recoveries, with revivals in international trade, investment and manufacturing industries. Nevertheless, the outbreak of Omicron, a variant of COVID-19, at the end of the year led to an epidemic rebound, adversely affecting the continued recovery of the global economy. Throughout 2021, developed countries persisted in adopting accommodative monetary and fiscal stimulus policies, which strengthened global inflation expectations, and commodity prices continued to increase. The Chinese government, while strictly controlling the COVID-19 epidemic in China, adopted prudent economic policies rather than "indiscriminate" monetary policies, resulting in a remarkable recovery of national economy that its annual GDP increased by 8.1% over the corresponding period in 2020, leading other major economies. With the development of a moderately prosperous society in all respects, China has solved its historical problem of absolute poverty, showing a complete victory in the fight against poverty. At the same time, China has witnessed high-quality and steady agricultural development, and gradually transformed itself from a large agricultural country to a strong agricultural country.

Being the beginning year of the 14th Five-Year Plan, 2021 was also the first year to carry out comprehensive promotion of rural revitalization. The Chinese government has given top priority to solving problems related to agriculture, rural areas and farmers, taking comprehensive rural revitalization as a major historical task in realising the great rejuvenation of the Chinese nation, by accelerating modernization of agriculture and rural areas. As for agricultural development, green and quality agriculture was promoted when upholding the philosophy of revitalizing agriculture with quality and in green. With poverty alleviation accomplished, the focus of rural work has gradually shifted to the comprehensive promotion of rural revitalization.

In 2021, the fertilizer market also benefited from the recovery of the overseas and domestic agricultural markets, with product prices rising in general. Faced with this situation, China has implemented measures to stabilize production and ensure supply of agricultural products, which led to an improvement in the supply quantity and quality of major agricultural products. However, due to international trade frictions and the continuous impact of the COVID-19 pandemic, the transportation availability and price stability of fertilizer products encountered huge challenges. The Chinese government continued to implement policies for strengthening agriculture and benefiting farmers to stabilize the supply and prices of fertilizers in the domestic market, thereby consolidating the foundation of agriculture to ensure steady promotion of rural revitalization under the complex domestic and overseas market environment. The State vigorously promoted the protection and improvement of arable land quality by organizing coordinated demonstration of fertilizer application reduction and efficiency enhancement of key crops in counties with high-quality and efficient green actions, guiding enterprises and social service organizations to carry out scientific fertilizer application technology services, and supporting farmers and new agricultural business entities to apply new fertilizer application reduction and efficiency enhancement technology and new products.

Against the backdrop of tremendous challenges in the global economy, in order to consolidate its leading position in the industry, the Group, under the leadership of the Board, pushed forward strategic transformation and achieved significant improvement through its five major must-win initiatives to help modernize the agriculture industry in China. The potash fertilizer business continued to acquire high-quality resources and deepen strategic cooperation, while actively implementing the national macro-control policy and coordinating with national reserve and release plans. Fertex, a service platform for industrial ecology, connected the transaction, bidding and logistics systems effectively and put these functions online. It obtained the business license at the end of the year and began to operate independently. The sales volume of differentiated products increased rapidly, and product improvement and upgrade were promoted through integration of research, production and sales, as a result, the profitability was improved continuously. Through the collaboration with the platform of Syngenta Group, value of the distribution channels for crop protection products became more prominent. Sinochem Chongqing Fuling Chemicals Co., Ltd. ("Sinochem Fuling") completed 78% of the overall progress in physical shape of its new plant following the promotion of its "move for better and stronger" relocating work and after tackling the difficulties arisen amid the pandemic, laying a solid foundation for the production and operation to be commenced next year.

Financial Performance

For the year ended 31 December 2021, the Group's revenue amounted to RMB22,641 million, up by 5.89% over the corresponding period in 2020. Profit attributable to owners of the Company amounted to RMB867 million, increasing significantly by 34.63% over the corresponding period in 2020.

Research and Development

In 2021, the Group initiated a comprehensive upgrade of the research and development capabilities of crop nutrition products by constantly enhancing the scientific research strength of the Linyi R&D Center where breakthrough researches were conducted on underlying technologies for efficient utilization of nutrients and bioscience with the focus on key directions such as fertilizer application reduction and efficiency enhancement as well as soil health. The research and development system focused on "nutrient efficiency + soil health + biologics" was established, and at the same time, the integration mechanism of research, production and sales was fully implemented to further speed up the efficiency of transformation of research achievements. The production and sales volume to which the commercialization of research and development achievements gave birth for the whole year exceeded 1,000,000 tons for the first time, with the proportion of differentiated products such as bio-fertilizers and special fertilizers increasing significantly. The compound fertilizer named Lanlin-Guanwushuang, a differentiated product jointly developed with the crop protection business units of Syngenta Group China, achieved the production and sales volume of nearly 30,000 tons by leveraging its outstanding performance in field. Youcuilu, the first in-house developed and produced botanical activator was launched successfully. The second generation of basic fertilizers for efficiency improvement, such as Meilinmei and Linbao, were upgraded jointly with the Chinese Academy of Agricultural Sciences, demonstrating a significant effect of increasing yield.

In 2021, the Group made a new breakthrough in the construction of a research and development platform. The joint establishment of the "National Engineering Research and Development Center for Arable Land Protection" with the Chinese Academy of Agricultural Sciences was approved by the National Development and Reform Commission, signifying the Group's first qualification for being a national-level research and development platform. In the future, the Group will continue to focus on improving nutrient utilization, maintaining soil health and promoting high yield and quality of crops, with a view to developing and promoting new crop nutrition products through the mechanism of integrating research, production and sales.

Production and Manufacturing

In 2021, under the complex and everchanging economic environment, major subsidiaries of the Group, while focusing on safe and steady production, actively promoted production capacity upgrade and process optimization, with prominent results in cost reduction and efficiency improvement. Benefiting from flexible production facilities, the Group seized market opportunities and adjusted production and marketing strategies in a timely manner, which significantly improved the business performance.

Sinochem Fuling Chongqing Chemical Industry Co., Ltd., a subsidiary of the Group, actively practicing the spirit of General Secretary Xi Jinping's instructions of "jointly focusing on great protection of environment and avoiding large-scale development" for the construction of the Yangtze River Economic Belt, accelerated the progress of the entire relocation for the sake of environmental protection. The phase I project with an annual production capacity of 200,000 tons of fine phosphate and supporting new types of special fertilizers was being constructed in Baitao Industrial Park. As at the end of December 2021, the old plant area was completely dismantled, the leachate treatment station maintained normal operation and the sewage was discharged up to standard. The site levelling and main engineering construction in the main device area of the new factory were basically completed. The installation of mechanical equipment, electrical instruments, pipelines and cables was carried out. The cumulative investment in the project amounted to RMB1.695 billion and 78% of the overall progress in physical shape was completed.

In response to the unfavorable situation of rising coal price, increasing electricity price and the repeated local epidemic, Sinochem Jilin Changshan Chemical Co., Ltd. ("Sinochem Changshan"), a subsidiary of the Group, adopted active measures such as strengthening internal management and expanding sales channels, thereby achieving continuous improvement in performance. The effects of technological upgrading has been constantly realized, overcoming the adverse factor of rising costs and achieving stable production and high yield. It actively expanded its share of core customers to grasp the regional ammonia market while releasing new types of fertilizers to the market to enhance its market competitiveness. For the year, 197,500 tons of ammonia was produced, achieving a record high in sales revenue and total profits.

Despite facing numerous unfavorable factors such as rising raw material prices and surging ocean freight costs, Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong"), a subsidiary of the Group, fully utilized its phosphate mine resource while improving mining process of phosphate ore and continuously optimizing production processes and modifying technologies, strengthening lean management and reducing fuel and power costs to stabilize the production of MCP/DCP. It strictly implemented internal control management and timely adjusted operating strategies to strengthen the coordination of production and sales for increasing the output of high value-added products, thereby achieving brand premium. In the 2021, the production and sales of MCP/DCP reached 330,000 tons and 321,100 tons respectively.

Adhering to the core value of "In Science We Trust", Sinochem Yunlong was committed to "becoming a leading global production expert of high phosphorous MCP/DCP and creating a leading green brand in animal nutrition". Following the Group's strategic development plan, it established a flexible manufacturing platform for animal and plant nutritional fine phosphate by leveraging its advantage of possessing unique phosphorus resources. Meanwhile, it developed differentiated and customized high phosphorus MCP/DCP products based on customer needs to further enhance technical service capabilities. Through technological innovation and technology introduction, it accelerated the advancement of projects with annual production of 300,000 tons of phosphogypsum granulated cement retarder and annual production of 330,000 tons of sulfuric acid low-level heat recovery, enhancing the comprehensive utilization rate of phosphogypsum and creating green plants, contributable to the country for carbon neutrality and to the Group for green and sustainable development. In 2021, Sinochem Yunlong was certified as a national high-tech enterprise and accredited as a green factory at provincial level in Yunnan Province and state level in China respectively.

Basic Fertilizers Operations

In 2021, amid general tight supply of nitrogen, phosphorus and potassium products, the Group actively leveraged its advantages and strengths to continuously promote strategic procurement and consolidate relationship with its core suppliers for securing stable supply of quality product resources. The Group sustained the supply of basic fertilizer raw materials to its customers and satisfied the demand of industrial and agricultural production. It strengthened downstream channel development to thoroughly promote differentiated basic fertilizer products as well as strengthened its technical services and capability in satisfying customer demand. The Group also continued to promote innovation and transformation to enhance operating performance. Fertex, the platform with an increasing number of registered users, logistics and transportation volume and platform transactions, had all of its service functions constantly improved and began to operate independently. The service model for green planting was successfully piloted and the business model kept iterating.

Potash Fertilizer Operations

In 2021, sales volume of potash fertilizers was 1.69 million tons. The Group continued to consolidate strategic cooperation with domestic and overseas suppliers to expand supply channels for product resources, with an aim to sustain a relatively low price of potash fertilizers around the world and acquire quality resources on an ongoing basis to fully guarantee domestic supply of potash fertilizers that meets customer demand in the face of tight supply of product resources. It strengthened information analysis and research ability to improve the scientific decision-making mechanism. Also, the Group continuously strengthened its core customer system in industrial potassium by improving professional marketing services and ensuring the needs of core customers. Under such efforts, the Group continuously enhanced its market position and industry influence. In addition, the Group deepened the channel marketing of agricultural potash by promoting the development of streamlined and integrated offline channels and digitalized online marketing channels The Group actively enriched its product range, while continuously promoting the band construction of its own agricultural potash fertilizer "Fenghexiang". Through a variety of efforts, the Group continuously expanded its agricultural channel coverage and market share.

Nitrogen Fertilizer Operations

In 2021, sales volume of nitrogen fertilizers was 2.87 million tons. In order to improve profitability, the Group increased its efforts in adjusting product structure by constantly reducing the proportion of low margin nitrogen fertilizer business. The percentage of sales volume of differentiated nitrogen fertilizers grew steadily by 18% over the corresponding period in 2020. In face of the significant fluctuations in the urea market, the Group reduced operating risks by improving turnover ratio and strictly controlling the size of inventory subject to exposure. The Group also continued to strengthen its strategic procurement and leveraged its advantage of centralized procurement to enhance the ability of steady supply. It constantly improved its service standard for core customers and increased the proportion of sales to industrial customers while at the same time devoting more efforts to develop the agricultural market. In terms of product research and development, the Group continued to develop environmentally friendly products with high growth, and created a multi-standard product range to bring values to customers in a steady manner. The Group undertook the national task of fertilizer reserve, and actively used urea futures to hedge the downside price risk of long-term contracts. It also contributed high-quality supplies for the spring market, escorting the country's food security.

Phosphate Fertilizer Operations

In 2021, sales volume of phosphate fertilizers was 1.94 million tons. Under the circumstance that the export prices were much higher than the domestic prices due to the strong international demand, the Group's advantage of strategic procurement was prominent, which effectively ensured the stable supply of for its core customers and further secured its market share. The Group carried out value scheduling in phosphate fertilizer operations and provided comprehensive solutions with the focus on the difficulties in demand of upstream and downstream customers. The Group achieved stable profit and improved customer value, further consolidating its position as a leading domestic distributor of phosphate fertilizers. The Group also made more efforts in promoting technology-based product with "fertilizer application reduction and efficiency improvement". Its Meilinmei series of products, which effectively enhanced the utilization rate of phosphate fertilizers, not only saved upstream phosphate resource but also helped farmers to increase production, the sales of which maintained a rapid growth. The first VIP Customer Marketing Summit of Meilinmei received widespread attention from the industry and led the long-term development of efficiency-enhancing phosphate fertilizers in China.

Fertex Operations

The Group continued to promote the establishment of Fertex, an industrial chain service platform. As at the end of 2021, Fertex had 350,000 registered users and record a rapid growth in online transaction volume and online payment amount, with its bidding function attaining widespread recognition from the industry. As the smart supply chain system was gradually optimized, Fertex commenced independent operation upon the introduction of strategic investment at the end of 2021. Fertex is dedicated to gathering digital technology to serve the industry, and ultimately provide sustainable and optimized solutions for the distribution of agricultural materials in China.

Distribution Operations

The Group continued to deeply promote the DTS channel expansion strategy. While digging traditional distributors and retail channels, the Group kept focusing on the attraction of large growers. The diversified channel mode contributed to the steady operation and rapid development of business. It deepened its distribution channels to strengthen terminal network coverage and promoted its strategic retail store upgrade plan to facilitate the transformation and development of core distributors. As for technical marketing channels, with the focus on core crops, the Group devoted more efforts in marketing differentiated products and new types of fertilizers by providing advanced technical planting solutions. The Group also packaged crop nutrition products supplemented with crop protection products, resulting in rapid improvement of synergistic effect with the members of Syngenta Group. As for direct sales channels, with the focus on large-scale planters and commercial planting enterprises, the Group integrated resources in the industry chain and provided one-to-one customized products and technical services, resulting in the continuous growth in service area. The Group also strengthened cooperation with special channels and established stable strategic alliances with partners such as PetroChina and China Post.

Compound Fertilizer Operations

In 2021, sales volume of compound fertilizers was 2.1 million tons, of which 0.90 million tons were contributed by differentiated products, representing an increase of 41% over the corresponding period in 2020. The Group accelerated the restructure of its compound fertilizer products and enhanced its product competitiveness by promoting the commercialization of its in-house research achievement and introducing external technologies. The Group focused on multi-technology integrated products that tackle difficulties in planting and increase yield while reducing fertilizer application. Through biotechnology empowerment and the combination of organic and inorganic methods, the Group accelerated the development and operation of new products that facilitated the improvement of arable land quality, which is consistent with the national strategy, and provided efficient crop nutrition solutions for farmers with high indices of continuous cropping and multiple cropping. At the same time, the Group continued to improve its technical services and marketing capability focusing on creating high-end cash crop products. The Group's high-end product management has made good progress.

Special Fertilizer Operations

In 2021, sales volume of new types of fertilizers was 100,000 tons. With the focus on crop nutrition and planter needs, the Group continued to develop and promote new types of fertilizers and application solutions of product combinations. In order to reduce fertilizer application while increasing yield and improving quality of field crops, and in response to the need for enhancing efficiency of large-scale farming, the Group continued to launch bio-stimulant products for root application and foliar spraying, which greatly enhanced crop stress resistance and fertilizer absorption efficiency, so that planters could achieve the goal of increasing yield and income. Based on the Company's goal of green and sustainable agricultural development, more efforts were devoted in the research and development of new types of fertilizers and production capacity enhancement, forming a more complete system integrating research, production and sales and a production capacity layout. The Group continuously invested in fertigation business and actively promoted remote communication and remote control technologies. The Group built up the capacity to design and construct various agricultural forms such as high-standard farmland, greenhouse and landscape agriculture. It also took the lead to compile the "Technical General Principles of Smart Fertigation System in Facility Horticulture", providing benchmarking standards for the development of the industry.

Synergy from Crop Protection Business

In 2021, the Group's synergistic effect with the platform of Syngenta Group was further enhanced. Its crop protection business achieved continuous growth in sales volume and profit margin for the third consecutive year, with sales revenue of RMB420 million in 2021, representing a significant increase of 33% over the corresponding period in 2020. In particular, the self-operating sales of products through the collaboration with Syngenta Group accounted for 79%. By constantly incorporating advantageous products from Syngenta Group while leveraging the advantages of distribution channels and the characteristics of the team, the Group gradually introduced promotional products in 2021 while focusing on the development of product layout for different channels by promoting product combinations with packages and solutions.

Technical Services and Digital Innovation

The Group continued to promote free soil testing services, technical guidance for field activities, technical seminars, and the protection of rights and anti-counterfeiting, and carried out more than 50,000 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 reasonably and reduced the amount of pesticide and fertilizer application. It also strengthened its digital marketing capabilities by empowering distributors to enhance their online marketing capabilities. Sinochem Fertilizer launched its "Nong Xiao Hui", a tool for channel digitization, with 5,500 authorized online retail stores having been launched in 13 pilot provinces, including Hebei, Jiangsu, Guangdong and Hainan. With the online sharing of technological knowledge by planters through live broadcast, short video, graphic and text, an increasing number of retail stores and planters were attracted to register the application. Besides, "Enjoying Harvest Together", an online campaign with the theme of benefiting farmers, was carried out, during which farmers were provided with real-time information about changes in planting trends, comprehensive crop technology solutions and instant service supported by technical experts with the support from online platforms such as Nongda Circle Service Channel, Nongda Circle Video Channel, Farmers Benefiting Live Studio with Science and Technological Knowledge and 400 Customer Service. As at the end of the year, the short videos were circulated and played by more than 10 million person-times.

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 solve arable land protection issues. The Group attached great importance to the technical research and commercialization of microbial agents and organic products that regulate soil activity. The strategic equity investment in Beijing Aerospace Hengfeng Technology Corp., Ltd, which possess the research and development capability in the core technology of microbial agents, helped speed up the Group's research and development of biological fertilizer products. 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, as well as integrated resources to propose 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 help farmers grow good products and sell them at good prices, so as 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 was established according to the "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission in the United States, the "Risk Management – Guidelines" published by the International Organization for Standardization and the "Internal Control and Risk Management – A Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants, and following 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, as well as in compliance with the 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 mechanism in line with strategic development and integrated with business management. Through risk identification, assessment and responsive measures, the Group implemented a whole-process risk management, alert and response measures on material risks to serve its value creation.

In 2021, the Group incorporated the management philosophy of Syngenta Group China, and strived to build agile, effective and open functional headquarters to further deepen the establishment of internal risk control system to actively empower, support and safeguard its business development: During the year, the Company's corporate structure was substantially optimized, with internal control and management focusing on inheriting and learning from advanced management experience Guided by "efficient streamlining, clear accountability and controlled authority" the Group identified risks, improved systems, strengthened internal control, carried out differentiated risks monitoring and enhanced reward and punishment. The Group also actively promoted risk culture through various means, such as systematic monthly thematic meetings of finance and risk responsible personnel, quarterly financial internal control self-inspection, half-yearly work report and daily WeChat promotion of risk management experience, in order to raise risk awareness and encouraged the management at all levels to build a safe operating environment in a scientific manner. The Group actively created a benign internal risk control atmosphere for "steady operation and healthy development". In 2021, the Group focused on incorporating risk management and compliance management requirements into business process, strengthening informatization and enhancing accountability of each business unit, and actively explored differentiated mechanisms of internal risk control and management for different business units. In 2021, the Group strengthened the internal control of its overseas business units and incorporated their operations into its daily financial performance.

In 2021, the internal control and management of the Group met the compliance requirements of domestic and overseas regulatory agencies, ensuring the Group's compliance operation and steady business development. The internal control and management provided a reasonable guarantee for adapting to changes in the market and operating environment, supporting the strategic transformation of the Group, safeguarding shareholders' interests and asset safety of the Group, and improving 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. While developing its channels down closer to customers, 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 and cooperating with international advanced agricultural input enterprises, the Group realized complementary advantages and provided farmers with comprehensive training service 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, the Group continued to focus on improving nutrient utilization, maintaining soil health and promoting high yield and quality of crops, with a view to developing and promoting new crop nutrition products through the mechanism of integrating research, production and sales, thereby helping farmers to increase yield and enhance efficiency. In order to promote its Green Farming Service (referred to as the "GFS"), the Group constantly offered new professional farmers its innovative model of providing products + customized services, with an aim to promote the fertilizer reduction while increasing yield and the modernized green agriculture development in China based on the core philosophy of "scientific fertilizer application, fertilizer and waste reduction, as well as increase in yield and efficiency enhancement".

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. In July 2021, the Group, as the national fertilizer reserve enterprise for disaster relief, implemented the spirit of the Notice of the National Development and Reform Commission by delivering 1,000 tons of urea and 1,000 tons of NPK compound fertilizers to five counties in Henan Province, including Yuanyang and Yanjin, in accordance with the "Management Requirements of the National Fertilizer Commercial Reserve", based on the needs for agricultural production resumption after the disaster in Henan Province, with an aim to support and secure the post-disaster production, thereby demonstrating its fulfillment of corporate responsibility. 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 network, 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. 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 2021, 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 initiatives, providing farmers with fertilizer and pesticide solutions covering the whole cycle of crops. The Group continued to organize various activities in relation to comprehensive technical services by providing online and offline planting technique trainings, organizing demonstration seminars and issuing technical solution manuals, which benefited millions of farmers.

The Group attached great importance to the implementation of the policies and instructions of relevant ministries and commissions on solving issues in relation to arable land. It was continuously optimizing its "soil health+ strategy" and establishing ecological cooperation with relevant state departments, research institutes and leading enterprises. With the joint establishment of the "National Engineering Research and Development Center for Arable Land Protection" being formally approved by the National Development and Reform Commission, the Group focused on solving issues in relation to soil health, constantly making efforts to realize the vision of "making every inch of arable land fertile". In the future, the Group will strive to solve issues faced by China's agricultural development such as low utilization rate of fertilizers, soil degradation and pollution from non-point agricultural sources, with an aim to satisfy the needs for reduction of fertilizer application, increase in yield, quality improvement, efficiency enhancement and sustainable development.

With an aim to realize product innovation to meet modern agricultural development needs, the Group established a research and development center in Linyi for the research and development of new types of innovative green fertilizer products with high efficiency. It also joined hands with Chinese Academy of Agricultural Sciences and Belarusian Potash Company (BPC) to develop multi-nutrient large granular potash fertilizer products with sulphur and zinc, as well as successively completed and put into operation of a high-end water-soluble fertilizer facility and a microbial fertilizer facility in the Northeast China, Central China and Xinjiang region. The Company's new products, including Weidefeng, a potash fertilizer, Meilinmei, a phosphate fertilizer, Granular Fertilizer GHM for Paddy Rice Regrowth and Tillering, and UHA, a bio-stimulant for foliar of cereal crops, were successively commenced production and launched to the market. The introduction of a large number of new types of products with high efficiency into the market further improved the efficiency of fertilizer utilization and effectively reduced land pollution, playing a positive and leading role for the development of the fertilizer industry.

The Group placed emphasis on the integration of internal and external resources in the industry to promote soil health and actively disseminate the cultural concept of soil health to the community. The "Technical General Principles of Smart Fertigation System in Facility Horticulture" setting out group standards, of which the Group leads the compilation, was published. It presents the Group's solutions for fertigation in facility horticultural crops, provided to various industries such as crop nutrition, agricultural equipment and Internet of things, having been widely recognized by the community. It has further promoted the formation of smart fertigation ecosystem in China. The result of research of "Key Technology for Efficient Utilization of Nutrient Resources of Major Food Crops" conducted by the Institute of Agricultural Resources and Regional Planning of Chinese Academy of Agricultural Sciences, in which Mr. FENG Mingwei, an Executive Director of the Group, participated, won the "Second Prize of National Science and Technology Advancement in 2020" awarded by the State Council of the People's Republic of China. The research laid a solid foundation for China's agriculture to realize scientific fertilization, with usage reduction and efficiency improvement. The Group's concept of scientism and sustainable development has been deeply implemented.

Outlook

In 2022, the global economy will continue to be affected by the COVID-19 pandemic and its uncertainties will be increased due to the impacts of the expected elevating inflation. China's economy will continue to remain resilient, however, its agricultural transformation is still under pressure. Problems such as defects in agricultural quality and safety, unbalanced structure of agricultural production, unparalleled development of agricultural regions and low agricultural efficiency still exist, and the imbalance between supply and demand will also bring huge challenges. The focus of work in relation to "agriculture, rural areas and farmers" in China will shift to comprehensive rural revitalization. China will continue to devote efforts into the development of modern agriculture with importance being attached to the protection of environmental and agricultural resources. China will continuously develop ecological and circular agriculture, promote of advanced agricultural technology as well as establish agricultural facilities. Measures such as implementing structural reforms on the supply side of agriculture, developing large-scale operation to conserve arable land as well as increasing yield and ensuring the supply of agriculture-related products will also continue to be effectively adopted.

Being a leading technology-based marketing and service provider of crop nutrition in China, the Group will adapt to market changes and meet market demand by further developing modern agriculture and strengthening the supply of quality fertilizers and agricultural products. On the basis of steady development of basic fertilizers, the Group will enhance the research and development of scientifically balanced fertilizer application and products that can reduce fertilizer application and enhance efficiency. The Group will also diversify its operations and services, continue to enhance the synergistic effect with Syngenta Group for the distribution of crop protection products, and increase the use of online tools to facilitate its communication with farmers and expand its service coverage. In this way, the Group continuously promotes agricultural knowledge, popularizes scientific fertilizer application and empowers farmers to implement scientific planting to help increase yield and income. The Group will continue to promote the innovative operating model of combining agriculture and the Internet to improve every part of the agricultural industry chain, including research and development, production and marketing.

The year of 2022 will be full of opportunities and challenges. Under the framework of Syngenta Group China, the Group will vigorously promote the development of modern agriculture by taking technology and innovation as the dual drivers. Also, the Group will optimize its farmers-oriented services by devoting more efforts into the research and development as well as promotion of scientifically balanced fertilizer application and products that can reduce fertilizer application and enhance efficiency. Meanwhile, the Group will continuously promote agricultural knowledge, popularize scientific fertilizer application and help farmers to increase yield and income. By serving Chinese farmers and ensuring the supply of quality agricultural products, the Group will make continuous efforts in promoting the agricultural transformation and developing sustainable and healthy agricultural industry in China.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended 31 December 2021, the Group recorded sales volume of 10.40 million tons, down by 14.54% over the year ended 31 December 2020. And the Group's revenue was RMB22,641 million, up by 5.89% over the year ended 31 December 2020.

For the year ended 31 December 2021, the Group attained gross profit of RMB1,960 million, down by 1.36% over the year ended 31 December 2020. The significant decrease in gross profit primarily resulted from the onerous contracts of RMB231 million recognized by the Group due to the rising purchase price of potash fertilizers. After deducting the aforesaid effect, the actual operating gross profit of the Group increased by 10.27% over the corresponding period in 2020. Profit attributable to owners of the Company was RMB867 million, up by 34.63% over the year ended 31 December 2020.

I. OPERATION SCALE

(I) Sales volume

For the year ended 31 December 2021, the Group recorded sales volume of 10.40 million tons, down by 14.54% over the year ended 31 December 2020. In 2021, developed countries persisted in adopting accommodative monetary and fiscal stimulus policies, which strengthened global inflation expectations, and commodity prices continued to increase. The Group adhered to its direction of strategic development, actively prevented market risks, and constantly promote professional and lean operation. It also 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-oriented product system.

Guided by its strategic direction, the Group reduced its low-margin business by 1.23 million tons in 2021, including 180,000 tons of sulfur, 870,000 tons of universal type of nitrogen fertilizers, and 180,000 tons of universal type of phosphate fertilizers. The Group achieved total sales volume of special fertilizers and various differentiated products of 1.39 million tons, up by 32% over the corresponding period in 2020. Thereinto, sales volume of special fertilizers was 100,000 tons, up by 11% over the corresponding period in 2020. Sales volume of differentiated compound fertilizers was 900,000 tons, up by 41% over the corresponding period in 2020. Sales volume of differentiated nitrogen fertilizers was 260,000 tons, up by 18% year on year, and sales volume of new type of phosphate fertilizers was 130,000 tons, up by 45% over the corresponding period in 2020.

(II) Revenue

For the year ended 31 December 2021, the Group recorded revenue of RMB22,641 million, up by RMB1,260 million or 5.89% compared with the corresponding period in 2020, mainly resulting from an increase in average selling price.

Table 1:

	For the year ended 31 December			
	2021		2020	
	Revenue *RMB'000*	**As percentage of total revenue**	Revenue *RMB'000*	As percentage of total revenue
Potash fertilizers	**3,416,235**	**15.09%**	3,868,006	18.09%
Nitrogen fertilizers	**4,908,801**	**21.68%**	4,981,386	23.30%
Phosphate fertilizers	**5,026,005**	**22.20%**	4,116,953	19.26%
Compound fertilizers	**5,588,956**	**24.68%**	5,703,913	26.68%
Monocalcium/Dicalcium phosphate (MCP/DCP)	**968,164**	**4.28%**	826,843	3.87%
Special fertilizers	**491,972**	**2.17%**	413,785	1.93%
Others	**2,241,263**	**9.90%**	1,469,854	6.87%
Total	**22,641,396**	**100.00%**	21,380,740	100.00%

(III) Revenue and results by segment

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

Below sets forth an analysis of the Group's revenue and results by operating segment for the year ended 31 December 2021 and the year ended 31 December 2020.

Table 2:

	For the year ended 31 December 2021				
	Basic Fertilizers *RMB'000*	**Distribution** *RMB'000*	**Production** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
Revenue					
External revenue	**14,127,254**	**6,633,392**	**1,880,750**	**–**	**22,641,396**
Internal revenue	**980,688**	**8,762**	**249,786**	**(1,239,236)**	**–**
Segment revenue	**15,107,942**	**6,642,154**	**2,130,536**	**(1,239,236)**	**22,641,396**
Segment profit	**600,061**	**166,390**	**276,991**	**–**	**1,043,442**

	For the year ended 31 December 2020				
	Basic Fertilizers *RMB'000*	Distribution *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue					
External revenue	13,350,776	6,506,377	1,523,587	–	21,380,740
Internal revenue	994,905	8,855	382,113	(1,385,873)	–
Segment revenue	14,345,681	6,515,232	1,905,700	(1,385,873)	21,380,740
Segment profit	510,218	150,033	225,850	–	886,101

Segment profit represents the profit earned by each segment without taking into account unallocated share of results of associates and joint ventures, unallocated expense/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 year ended 31 December 2021, the external revenue of the Group increased by RMB1,260 million or 5.89% over the year ended 31 December 2020, mainly resulted from an increase in average selling price of fertilizer products.

For the year ended 31 December 2021, the segment profit of the Group was RMB1,043 million. In particular, the Basic Fertilizers Segment reinforced strategic partnership with domestic and overseas core suppliers to constantly promote strategic procurement, and continued to innovate business model to accelerate business transformation. For the year ended 31 December 2021, the Basic Fertilizers Segment made a profit of RMB600 million, up by 17.65% over the corresponding period in 2020. The Distribution Segment insisted on optimizing channel structure and product mix, with the percentage of high margin products and high net worth customers increasing year by year. The Distribution Segment made a profit of RMB166 million in 2021, up by 10.90% over the corresponding period in 2020. Major production subsidiaries of the Production Segment continued to strengthen basic work and adjusted product structure in a timely manner according to market demand as well as strengthened lean production management. In 2021, the Production Segment made a profit of RMB277 million, up by 22.64% over the corresponding period in 2020.

II. PROFIT

(I) Share of results of associates and joint ventures

Share of results of associates: For the year ended 31 December 2021, the Group's share of results of associates was a profit of RMB13 million, representing a decrease of RMB27 million over the year ended 31 December 2020, which was mainly due to the coming relocation of the old plant of Yangmei Pingyuan Chemical Co., Ltd. ("Yangmei Pingyuan") for the sake of environmental protection. Therefore, the Group accelerated amortization of the value appreciation of asset appraisal recognized at the time when Yangmei Pingyuan accepted capital increase and expanded its equity capital in 2012. As the result of amortization, the share of results of associates reduced by RMB45 million. Excluding such factor, the Group's share of results of Yangmei Pingyuan would be a profit of RMB19 million. In 2021, the Group's share of results of other associates such as Beijing Aerospace Hengfeng Technology Corp., Ltd., was a profit of RMB39 million, collectively.

Share of results of joint ventures: For the year ended 31 December 2021, the Group's share of results of joint ventures was a profit of RMB184 million, representing a significant increase of 360% from RMB40 million for the year ended 31 December 2020, which was mainly attributable to a significant improvement in the results of Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. ("Three Circles-Sinochem") for the period, benefited from a sharp increase in major product prices. The Group's share of results of Three Circles-Sinochem was a profit of RMB158 million, up by RMB128 million over the corresponding period in 2020. The Group's share of results of Gansu Wengfu Chemical Co., Ltd. ("Gansu Wengfu") was a profit of RMB26 million, up by RMB16 million over the corresponding period in 2020.

(II) Income tax

For the year ended 31 December 2021, the Group's income tax expense was RMB20 million, of which current income tax expense was RMB53 million and deferred income tax expense was RMB-33 million. In 2021, 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 65.63% compared with the corresponding period in 2020.

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.

(III) Profit attributable to owners of the Company and net profit margin

For the year ended 31 December 2021, profit attributable to owners of the Company was RMB867 million, up by 34.63% compared with a profit of RMB644 million for the year ended 31 December 2020, representing a significant improvement in business performance. Faced with fierce market competition and transformation pressure, the Group adhered to its strategic development direction and took various operational measures to constantly implement the principle of enhancing efficiency while reducing costs. At the same time, it carried out a series of technical reform as well as scientific and technological innovations to constantly deepened its business transformation.

For the year ended 31 December 2021, the Group's net profit margin calculated by dividing profit attributable to owners of the Company by revenue, was 3.83%, up by 0.82 percentage point over the corresponding period in 2020.

III. EXPENSES

For the year ended 31 December 2021, the three categories of expenses in aggregate amounted to RMB1,309 million, representing a decrease of RMB142 million or 9.79% from RMB1,451 million for the year ended 31 December 2020. In particular:

Selling and distribution expenses: For the year ended 31 December 2021, selling and distribution expenses amounted to RMB583 million, representing a decrease of RMB243 million or 29.42% from RMB826 million for the year ended 31 December 2020. This was mainly due to the decreased sales volume and the reduced transition procedures as a result of the increased proportion of sales in which the customers picked up products by themselves in the current year.

Administrative expenses: For the year ended 31 December 2021, administrative expenses amounted to RMB709 million, representing an increase of RMB121 million or 20.58% from RMB588 million for the year ended 31 December 2020. This was mainly due to the saving of social security expenses resulted from preferential state policies during the COVID-19 pandemic period in the corresponding period in 2020, and the increase in administrative labour cost and R&D expenses for the year ended 31 December 2021.

Finance costs: For the year ended 31 December 2021, finance costs amounted to RMB17 million, representing a decrease of RMB20 million or 54.05% from RMB37 million for the year ended 31 December 2020. This was mainly attributable to the decrease in the average loan scale and interest rate as a result of the Group's lean management of funds.

IV. OTHER INCOME AND GAINS

Other income and gains mainly consisted of interest income, income from sales of scrapped materials and raw materials, and government grants. For the year ended 31 December 2021, the Group's other income and gains amounted to RMB237 million, representing an increase of RMB24 million or 11.27% from RMB213 million for the year ended 31 December 2020, mainly attributable to the gains on foreign exchange and gains on disposal of long-term assets.

V. OTHER EXPENSES AND LOSSES

Other expenses and losses mainly consisted of losses from assets impairment, disposal of long-term assets as well as losses incurred from raw materials and scrapped materials. For the year ended 31 December 2021, the Group's other expenses and losses amounted to RMB212 million, representing an increase of RMB55 million or 35.03% from RMB157 million for the year ended 31 December 2020. Such increase was mainly due to the provision for impairment of long-term assets of the Dawan phosphate mine owned by Yunnan Julong Mining Development Co., Ltd.

VI. INVENTORIES

As at 31 December 2021, the Group's balance of inventories amounted to RMB4,802 million, representing a decrease of RMB521 million or 9.79% from RMB5,323 million as at 31 December 2020. As the Group continued to strengthen its effective measures, such as the coordination between procurement and marketing, inventory scale decreased over the corresponding period in 2020. The inventory turnover days in 2021 was 88 days*(Note)*, 11 days less than that in 2020.

Note: Calculated based on average balance of inventories 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 2021, the Group's balance of trade and bills receivables amounted to RMB727 million, representing an increase of RMB155 million or 27.10% from RMB572 million as at 31 December 2020, which was mainly attributable to an increase in the balance of bills receivables.

The turnover days of trade and bills receivables of the Group were 10 days*(Note)* in 2021, 2 days slower than 8 days in 2020. The Group actively prevented credit risk, and strengthened the review of credit approval and qualifications of the acceptance banks.

Note: Calculated based on average balance of trade and bills receivables as at the end of the reporting period divided by revenue, and multiplied by 360 days.

VIII. LOANS TO RELATED PARTIES

As at 31 December 2021, the Group's loans to related parties amounted to RMB620 million, all of which were the funds provided by Sinochem Fertilizer Company Limited ("Sinochem Fertilizer"), a subsidiary of the Group, to Sinochem Agriculture Holdings Limited ("Sinochem Agriculture") for its daily working capital and purchase of fixed assets. For details of loans to related parties, please refer to the section headed "Connected Transactions" of the Directors' Report.

IX. INTERESTS IN ASSOCIATES

As at 31 December 2021, the Group's balance of interests in associates amounted to RMB631 million, representing an increase of RMB12 million or 1.94% from RMB619 million as at 31 December 2020, which was mainly attributable to the Group's total share of earnings for the current year of associates of RMB13 million accounted for under the equity method.

X. INTERESTS IN JOINT VENTURES

As at 31 December 2021, the Group's balance of interests in joint ventures amounted RMB654 million, representing an increase of RMB259 million or 65.57% from RMB395 million as at 31 December 2020. In 2021, the Group made capital contribution of RMB75 million for the acquisition of 45% equity interests in Yitong Digital Technology Co., LTD. The Group's total share of earnings for the current year of joint ventures accounted for under the equity method amounted to RMB184 million.

XI. INVESTMENTS IN OTHER EQUITY INSTRUMENTS

As at 31 December 2021, the Group's balance of investments in other equity instruments amounted to RMB311 million, which basically remained flat as compared with RMB312 million as at 31 December 2020.

XII. OTHER NON-CURRENT ASSETS

As at 31 December 2021, the Group's total non-current assets amounted to RMB30 million, representing a decrease of RMB713 million from RMB743 million as at 31 December 2020, which was mainly due to the fact that Sinochem Fuling, a subsidiary of the Group, would complete its relocation for the sake of environmental protection within one year, resulting in the transfer of the related assets into other current assets accordingly.

XIII. INTEREST-BEARING LIABILITIES

As at 31 December 2021, the Group's total interest-bearing liabilities amounted to RMB1,094 million, representing a decrease of RMB673 million or 38.09% from RMB1,767 million as at 31 December 2020, which was mainly due to the decrease in the balance of super short-term commercial paper issued by Sinochem Fertilizer, a subsidiary of the Group. For details of the interest-bearing liabilities. please refer to the section headed "XVI. LIQUIDITY AND CAPITAL RESOURCES".

XIV. TRADE AND BILLS PAYABLES

As at 31 December 2021, the Group's balance of trade and bills payables amounted to RMB2,412 million, which basically remained flat as compared with RMB2,426 million as at 31 December 2020.

XV. OTHER FINANCIAL INDICATORS

The Group uses earnings per share and return on equity (ROE) to evaluate its profitability. Current ratio and debt-to-equity ratio are used to assess solvency. And the Group evaluates its operating capacity in terms of turnover days of trade and bills receivables and inventories (see the sections of inventories and trade and bills receivables contained in the Management Discussion and Analysis). Through the analysis of financial indexes such as profitability, solvency and operating capacity, the Group's financial position and operating results can be fully summarized and evaluated, so that the performance of the management in corporate governance can be effectively assessed, and the ultimate goal of maximizing the interests of shareholders can be achieved.

For the year ended 31 December 2021, the Group's basic earnings per share was RMB0.1234 and return on equity (ROE) was 10.35%, both of which showed a significant increase over the previous year.

Table 3:

	As at 31 December	
	2021	2020
Profitability		
Earnings per share (RMB) *(Note 1)*	**0.1234**	0.0917
Return on equity *(Note 2)*	**10.35%**	8.18%

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 31 December 2021, the Group's current ratio was 1.42, and its debt-to-equity ratio was 12.17%. The Group enjoyed relatively high banking facilities and smooth financing channels, and its financial structure remained stable and robust.

Table 4:

	As at 31 December	
	2021	2020
Solvency		
Current ratio *(Note 1)*	**1.42**	1.09
Debt-to-equity ratio *(Note 2)*	**12.17%**	21.64%

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

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

XVI. LIQUIDITY AND FINANCIAL RESOURCES

The Group's principal resources of financing included cash from operations, bank borrowings and proceeds from issuance of bonds. All the financial resources were primarily used for the Group's production, operation, repayment of debts at maturity and relevant capital expenditures.

As at 31 December 2021, the Group's cash and cash equivalents amounted to RMB1,314 million, which was mainly denominated in RMB and US dollar.

Below sets forth the analysis of the Group's interest-bearing liabilities:

Table 5:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Short-term commercial paper	**–**	1,000,000
Bank loans	**1,041,215**	714,297
Lease liabilities	**52,526**	52,927
	1,093,741	1,767,224

Table 6:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Carrying amount of interest-bearing liabilities		
Within one year	**85,220**	1,754,821
More than one year	**1,008,521**	12,403
	1,093,741	1,767,224

Table 7:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Fixed-rate interest-bearing liabilities	**52,526**	1,767,224
Floating-rate interest-bearing liabilities	**1,041,215**	–
	1,093,741	1,767,224

As at 31 December 2021, the Group had banking facilities equivalent to RMB23,446 million, including US$781 million and RMB18,350 million, respectively. The unutilized banking facilities amounted to RMB22,205 million, including US$727 million and RMB17,464 million, respectively.

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

XVII. OPERATIONAL AND FINANCIAL RISKS

The Group's major operational risks include the repeated outbreaks of COVID-19 pandemic, gradually tightened external environment, occasional economic and trade frictions, and intensified local protectionism. Due to the monetary policies of quantitative easing all over the world, the producer price index (PPI) of industrial products has risen sharply year-on-year which leads to a significant increase in the cost of enterprises. In addition, market competition in the fertilizer industry has been intensified in the backdrop of fertilizer application reduction and efficiency improvement, energy conservation and environmental protection as well as acceleration of industry integration. Under such circumstances, the Group actively responds to the great changes in the domestic and overseas environment, and the current operating performance has significantly improved as compared to the corresponding period in 2020, enhancing the business confidence. On the one hand, the basic business continuously strengthens the acquisition of resources and focuses on deepening channels. By strengthening coordination with members of the Syngenta Group, it continuously enhances brand status and profitability, and consolidates its overall market competitiveness. On the other hand, the Group actively promotes strategic transformation and resource integration, realizes coordination among research, production and sales, and focuses on differentiated products. It also continuously adjusts and optimizes the industrial structure, promotes and enhances innovative businesses such as technical services and Fertex, so as to explore new profit growth opportunities, and enhance the potential for business growth. In these ways, the adverse impact of operational risks on the financial performance of the Group will be reduced.

In addition, environmental and social risks, cyber risk and security, and risks associated with data fraud or theft are also the operational risks of the Group.

Environmental and social risks

With the increasingly stringent requirements on environmental protection management and gradually intensive efforts in pollution control from the government, enterprises have been required to attach great importance to ecological civilization and environmental protection. The subsidiaries of the Group that engaged in resource exploitation and fertilizer production, strictly comply 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. Through stringent investigation and management on sources of corporate environmental risks, the subsidiaries of the Group implement measures to prevent and control pollution of air, surface water, underground water and soil. In addition, they formulate emergency plans for sudden environmental pollution incidents, equip themselves with necessary emergency disposal materials, seriously perform emergency response exercises, and promptly launch emergency plans to limit production during heavy pollution weather.

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 is that the counterparties may 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 31 December 2021. If there is a lack of credit risk management, bad debt losses of the Company, as a result of unrecoverable accounts receivable and unavailable inventory after advance payment for procurement, may influence its normal operation. The Group has 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 develops risk management strategies and measures to prevent and control the risk, allocates more credit resources to strategic and high-quality core customers and suppliers, and transfers bad debt risks by proper utilization of various risk protection measures, so as to ensure that the credit business was monitored and guaranteed. Meanwhile, the Group examines 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 occurs.

Liquidity risk

Liquidity risk may lead to inadequate capital to meet the demand of daily operations in a timely manner and repayment of debts at maturity.

In this regard, the management of the Group takes the following measures:

Regarding the management of liquidity risk, the Group strengthens position management of daily working capital, forecasts and strictly executes the fund plan to monitor and keep enough cash and cash equivalents. The Group attaches great importance to working capital turnover efficiency in purchasing, production, sales and other daily operations with the purpose of reducing capital occupation. In addition, the Group reasonably allocates short and long-term funding sources and constantly optimizes its capital structure to meet the demand of working capital and repayment of debts at maturity.

XVIII. CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no contingent liabilities.

XIX. CAPITAL COMMITMENT

Table 8:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Contracted but not provided for		
– Property, plant and equipment	**1,092,504**	1,108,545
Authorized but not contracted for		
– Property, plant and equipment	**896,365**	1,120,537
Total	**1,988,869**	2,229,082

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.

XX. MATERIAL INVESTMENTS

As of 31 December 2021, total expenditure of Sinochem Fuling on project with an annual production capacity of 200,000 tons of fine phosphates and supporting new-type special fertilizers, located in Baitao Industrial Park in Fuling, Chongqing, has accumulated to RMB1.695 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 billion, and all required capital was raised by Sinochem Fuling.

XXI. 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. 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 and rewards 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 performance bonus primarily determined 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 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 2021, the Group had about 4,499 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 2021, the Group provided 3,509 person-times or 36,284 hours of training (any training organized by the subsidiaries has not been included in these numbers) to employees. The training courses covered areas such as industrial development, strategy implementation, organizational skills, corporate culture, leadership enhancement, marketing management, innovative methods and tools, policy interpretation, new media operations, technical exchanges, compliance risks, epidemic control and prevention, 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 Sinofert Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2021, 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 2021

	Note	**2021** *RMB'000*	2020 *RMB'000*
Revenue	*3(a)*	**22,641,396**	21,380,740
Cost of sales		**(20,681,394)**	(19,393,757)
Gross profit		**1,960,002**	1,986,983
Other income and gains		**237,244**	212,602
Selling and distribution expenses		**(583,323)**	(825,743)
Administrative expenses		**(708,545)**	(587,942)
Other expenses and losses		**(211,802)**	(156,934)
Profit from operations		**693,576**	628,966
Share of results of associates		**13,154**	40,020
Share of results of joint ventures		**184,459**	39,790
Gain on disposal of a subsidiary		**25,932**	–
Finance costs	*4(a)*	**(16,999)**	(37,034)
Profit before taxation	*4*	**900,122**	671,742
Income tax	*5(a)*	**(19,615)**	(18,317)
Profit for the year		**880,507**	653,425

	Note	2021	2020
		RMB'000	*RMB'000*
Profit for the year attributable to:			
– Owners of the Company		**866,612**	644,074
– Non-controlling interests		**13,895**	9,351
		880,507	653,425
Profit for the year		**880,507**	653,425
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)		**113,014**	(56,307)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**(45,591)**	(88,710)
Other comprehensive income for the year		**67,423**	(145,017)
Total comprehensive income for the year		**947,930**	508,408
Total comprehensive income attributable to:			
– Owners of the Company		**934,035**	499,057
– Non-controlling interests		**13,895**	9,351
		947,930	508,408
Earnings per share			
Basic and diluted (RMB)	*7*	**0.1234**	0.0917

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

		As at 31 December	
	Note	**2021**	2020
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**3,742,989**	2,808,287
Right-of-use assets		**469,604**	503,215
Mining rights		**346,747**	479,545
Intangible assets		**14,962**	17,229
Goodwill		**822,551**	831,107
Interests in associates		**630,804**	619,045
Interests in joint ventures		**654,047**	394,618
Other equity securities		**310,744**	312,286
Prepayments for acquisition of property, plant and equipment		**191,783**	83,640
Loans to a related party	*8*	**–**	950,000
Deferred tax assets		**80,656**	89,329
Other long-term assets		**30,335**	742,986
		7,295,222	7,831,287
Current assets			
Inventories		**4,801,502**	5,323,067
Trade and bills receivables	*9*	**726,503**	571,719
Other receivables and prepayments		**1,942,690**	1,945,754
Loans to related parties	*8*	**620,000**	670,000
Other financial assets		**2,737**	4,657
Restricted bank deposits		**16,930**	–
Cash and cash equivalents		**1,313,892**	762,548
Other current assets		**775,017**	–
		10,199,271	9,277,745

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
Current liabilities			
Trade and bills payables	*10*	**2,412,497**	2,425,679
Contract liabilities		**3,319,138**	3,680,473
Other payables and provision		**1,307,643**	657,220
Bank loans		**52,215**	714,297
Short-term commercial paper		**–**	1,000,000
Lease liabilities		**33,005**	40,524
Tax liabilities		**33,825**	18,627
		7,158,323	8,536,820
Net current assets		**3,040,948**	740,925
Total assets less current liabilities		**10,336,170**	8,572,212
Non-current liabilities			
Bank loans		**989,000**	–
Lease liabilities		**19,521**	12,403
Deferred income		**184,132**	152,553
Deferred tax liabilities		**138,073**	171,622
Other long-term liabilities		**21,720**	69,083
		1,352,446	405,661
NET ASSETS		**8,983,724**	8,166,551
CAPITAL AND RESERVES			
Issued equity		**5,887,384**	5,887,384
Reserves		**2,855,684**	2,115,934
Total equity attributable to owners of the Company		**8,743,068**	8,003,318
Non-controlling interests		**240,656**	163,233
TOTAL EQUITY		**8,983,724**	8,166,551

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 of Hong Kong Limited.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements for the year ended 31 December 2021 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 other equity securities and other financial assets;

– derivative financial instruments; and

– bills receivable.

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 Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

– Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

– Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

Other than the amendment to HKFRS 16, 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 or prior periods have been prepared or presented in these financial statements.

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 2020.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

Revenue represents the sales value of fertilizers and related products. Disaggregation of revenue from contracts with customers by major products is as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15 recognized at point in time		
Disaggregated by major products		
– Sales of potash fertilizer	**3,416,235**	3,868,006
– Sales of nitrogen fertilizer	**4,908,801**	4,981,386
– Sales of compound fertilizer	**5,588,956**	5,703,913
– Sales of phosphate fertilizer	**5,026,005**	4,116,953
– Sales of monocalcium/dicalcium phosphate ("MCP/DCP")	**968,164**	826,843
– Sales of special fertilizer	**491,972**	413,785
– Others	**2,241,263**	1,469,854
	22,641,396	21,380,740

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

The Group takes advantage of practical expedient in paragraph 121 of HKFRS 15 and does not disclose the remaining performance obligation as all of the Group's sales contracts have an original expected duration of less than one year.

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

(i) Segment results

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned made 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 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.

2021	**Basic fertilizers** *RMB'000*	**Distribution** *RMB'000*	**Production** *RMB'000*	**Elimination** *RMB'000*	**Total** *RMB'000*
Revenue					
External revenue	**14,127,254**	**6,633,392**	**1,880,750**	**–**	**22,641,396**
Internal revenue	**980,688**	**8,762**	**249,786**	**(1,239,236)**	**–**
Segment revenue	**15,107,942**	**6,642,154**	**2,130,536**	**(1,239,236)**	**22,641,396**
Share of results of associates	**–**	**–**	**26,452**	**–**	**26,452**
Segment profit	**600,061**	**166,390**	**276,991**	**–**	**1,043,442**
Unallocated share of results of associates					**(13,298)**
Unallocated share of results of joint ventures					**184,459**
Unallocated expenses					**(439,588)**
Unallocated income					**125,107**
Profit before taxation					**900,122**

2020	Basic fertilizers *RMB'000*	Distribution *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue					
External revenue	13,350,776	6,506,377	1,523,587	–	21,380,740
Internal revenue	994,905	8,855	382,113	(1,385,873)	–
Segment revenue	14,345,681	6,515,232	1,905,700	(1,385,873)	21,380,740
Share of results of associates	–	–	(5,772)	–	(5,772)
Segment profit	510,218	150,033	225,850	–	886,101
Unallocated share of results of associates					45,792
Unallocated share of results of joint ventures					39,790
Unallocated expenses					(423,991)
Unallocated income					124,050
Profit before taxation					671,742

(ii) Other segment information

2021	**Basic fertilizers** *RMB'000*	**Distribution** *RMB'000*	**Production** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Amounts included in the measures of segment profit:					
Impairment of trade and bills receivables	**–**	**–**	**(1,165)**	**–**	**(1,165)**
Impairment of other receivables and prepayments	**(598)**	**(243)**	**(612)**	**–**	**(1,453)**
Impairment loss on property, plant and equipment	**(283)**	**(15,743)**	**(15,323)**	**–**	**(31,349)**
Impairment loss on mining rights	**–**	**–**	**(98,774)**	**–**	**(98,774)**
Impairment loss on other current assets	**–**	**–**	**(21,065)**	**–**	**(21,065)**
Provision for onerous contract	**(230,979)**	**–**	**–**	**–**	**(230,979)**
Depreciation and amortization	**(43,596)**	**(53,728)**	**(154,020)**	**(9,108)**	**(260,452)**
Write-down of inventories	**(12,406)**	**(34,432)**	**(5,836)**	**–**	**(52,674)**
Gain on disposal of property, plant and equipment	**1,317**	**(1,020)**	**29,234**	**–**	**29,531**
Write-off of payables	**47**	**84**	**(86)**	**391**	**436**

2020	Basic fertilizers *RMB'000*	Distribution *RMB'000*	Production *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measures of segment profit:					
Impairment of trade and bills receivables	(5,734)	(356)	(13)	(288)	(6,391)
Impairment of other receivables and prepayments	(11,552)	(5,247)	(1,742)	–	(18,541)
Impairment loss on property, plant and equipment	–	(11,379)	(2,581)	(2,734)	(16,694)
Impairment loss on intangible assets	–	(110)	–	–	(110)
Depreciation and amortization	(45,313)	(61,854)	(157,747)	(7,742)	(272,656)
Write-down of inventories	(11,242)	(4,558)	(5,180)	(820)	(21,800)
Loss on disposal of property, plant and equipment	(58)	(11,217)	(529)	–	(11,804)
Write-off of payables	709	426	7,677	38	8,850

(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 other equity securities and deferred tax assets is presented based on the geographical location of the assets.

	Revenue from external customers		**Non-current assets**	
			As at 31 December	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Mainland China	**21,972,912**	20,602,272	**6,902,732**	7,427,721
Others	**668,484**	778,468	**1,090**	1,951
	22,641,396	21,380,740	**6,903,822**	7,429,672

4. PROFIT BEFORE TAXATION

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

(a) Finance costs

	2021	2020
	RMB'000	*RMB'000*
Interest on borrowings	**55,775**	71,718
Interest on lease liabilities	**2,275**	3,144
Less: interest expense capitalized *(Note)*	**(41,051)**	(37,828)
	16,999	37,034

Note: The capitalization rate used to determine the amount of borrowing costs eligible for capitalization related to construction of production lines is 2.86% (2020: 2.60%) for the year ended 31 December 2021.

(b) Other items

	2021 *RMB'000*	2020 *RMB'000*
Depreciation charge		
– owned property, plant and equipment	**153,786**	154,501
– right-of-use assets	**56,851**	66,976
Amortization of mining rights	**34,024**	33,568
Amortization of other long-term assets	**13,136**	14,773
Amortization of intangible assets	**2,655**	2,838
Provision for onerous contract *(Note)*	**230,979**	–
Impairment loss on property, plant and equipment	**31,349**	16,694
Loss on disposal of property, plant and equipment	**–**	11,804
Impairment of trade and bills receivables	**1,165**	6,391
Impairment of other receivables and prepayments	**1,453**	18,541
Write-down of inventories	**52,674**	21,800
Fair value changes of forward foreign exchange contracts	**429**	52,643
Fair value changes of other financial assets	**–**	1,609
Foreign exchange loss	**–**	9,756
Impairment loss on intangible assets	**–**	110
Impairment loss on mining rights	**98,774**	–
Impairment of other current assets	**21,065**	–
Rental income	**(8,694)**	(7,713)
Dividend income from listed equity securities	**(4,922)**	(3,872)
Interest income from related parties	**(32,080)**	(50,534)
Interest income from time deposits	**–**	(9,363)
Other interest income	**(16,285)**	(62,555)
Fair value changes of other financial assets	**(104)**	–
Government grants	**(6,679)**	(4,264)
Sales of semi-product, raw materials and scrapped materials	**(47,941)**	(39,073)
Release of deferred income	**(7,579)**	(7,579)
Insurance claims received	**(15,788)**	(4,091)
Write-off of payables	**(436)**	(8,850)
Gain on disposal of property, plant and equipment	**(29,531)**	–
Reversal of over-accrual of separation and hand-over of water/power/gas supply and property management facilities to entities designated by local government	**(20,301)**	–
Foreign exchange gains	**(33,570)**	–

Note: As at 31 December 2021, the Group recognised a provision of RMB230,979,000 (2020: Nil) in cost of sales for onerous contract in relation to certain non-cancellable purchase commitment of potash fertilizer.

5. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2021	2020
	RMB'000	*RMB'000*
Provision for the year	**(51,540)**	(30,089)
Under-provision in prior years	**(1,974)**	(1,947)
Deferred tax		
Origination and reversal of temporary differences	**33,899**	13,719
	(19,615)	(18,317)

(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 2021 is calculated at 16.5% (2020: 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) The provision for Macao SAR Profits Tax for 2021 is calculated at 12% of the estimated assessable profits for the year (the subsidiary of the Group incorporated in Macao SAR is exempted from income tax for 2020).

(v) The provision for Singapore Profits Tax for 2021 is calculated at 17% (2020: 17%) of the estimated assessable profits for the year.

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

	2021	2020
	RMB'000	*RMB'000*
Profit before taxation	**900,122**	671,742
Tax calculated at the applicable tax rate of 25%	**(225,031)**	(167,936)
Effect of different income tax rates	**73,723**	47,545
Tax effect of non-deductible expenses	**(2,772)**	(10,214)
Tax effect of non-taxable income	**5,026**	290
Tax effect of share of results of associates	**3,289**	10,005
Tax effect of share of results of joint ventures	**46,115**	9,948
Effect of prior year unrecognized tax losses and deductible temporary differences recognized during the year	**98,837**	109,446
Effect of tax losses and deductible temporary difference not recognized	**(16,828)**	(15,454)
Under-provision in prior years	**(1,974)**	(1,947)
Income tax expense for the year	**(19,615)**	(18,317)

6. DIVIDENDS

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

	2021	2020
	RMB'000	*RMB'000*
Proposed final dividend of HK$0.0528, equivalent to approximately RMB0.0432 per share (2020: HK$0.0327, equivalent to approximately RMB0.0275 per share)	**303,240**	193,315

The final dividend proposed after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.0327 per share (2020: HK$0.0294).	**191,131**	187,912

7. EARNINGS PER SHARE

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

	2021	2020
	RMB'000	*RMB'000*
Earnings attributable to owners of the Company		
Earnings for the purpose of basic/diluted earnings per share	**866,612**	644,074

	2021	2020
	'000 shares	*'000 shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic/diluted earnings per share	**7,024,456**	7,024,456

The Group has no dilutive ordinary shares outstanding during the years ended 31 December 2021 and 2020. Therefore, there was no difference between basic and diluted earnings per share.

8. LOANS TO RELATED PARTIES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Sinochem Agriculture Holdings Limited ("Sinochem Agriculture") *(Note)*	**620,000**	950,000
Yangmei Pingyuan	**–**	670,000
Total loans to related parties	**620,000**	1,620,000
Less: amount due within one year	**620,000**	670,000
	–	950,000

Note: The entrusted loans lent to Sinochem Agriculture, a subsidiary of Sinochem Holdings, through Sinochem Finance Co., Ltd. ("Sinochem Finance") of RMB620,000,000 are guaranteed by Sinochem Group, bear fixed interest rate of 3.85% (2020: 3.85%) per annum and are repayable within one year.

9. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**41,297**	41,066
Less: loss allowance *(Note (b))*	**(4,212)**	(3,047)
	37,085	38,019
Bills receivable	**700,468**	544,750
Less: loss allowance *(Note (b))*	**(11,050)**	(11,050)
	689,418	533,700
Total trade and bills receivables, net of loss allowance	**726,503**	571,719

As at 31 December 2021, the bills receivable that the Group has endorsed or discounted and de-recognized but not yet matured amounted to RMB345,869,000 (2020: RMB426,685,000).

(a) Aging analysis of trade and bills receivables

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	
	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**269,859**	283,554
More than 3 months but within 6 months	**346,946**	265,122
More than 6 months but within 12 months	**103,804**	14,978
Over 12 months	**5,894**	8,065
	726,503	571,719

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

(b) Loss allowance of trade and bills receivables

The movements in the loss allowance in respect of trade and bills receivables during the year are as follows:

	2021	2020
	RMB'000	*RMB'000*
Balance at 1 January	**14,097**	7,993
Impairment recognized	**1,165**	6,391
Write-off of uncollectible receivables	**–**	(287)
Balance at 31 December	**15,262**	14,097

10. TRADE AND BILLS PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade payables	**1,437,274**	1,460,142
Bills payable	**975,223**	965,537
Trade and bills payables	**2,412,497**	2,425,679

As at 31 December 2021, the aging analysis of trade and bills payables presented based on the invoice date is as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**1,785,099**	1,661,239
More than 3 months but within 6 months	**482,616**	446,285
More than 6 months but within 12 months	**115,935**	285,494
Over 12 months	**28,847**	32,661
	2,412,497	2,425,679

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$0.0528 (equivalent to approximately RMB0.0432) per share for the year ended 31 December 2021 (2020: HK$0.0327 (equivalent to approximately RMB0.0275) per share) to the shareholders, estimated to be HK$370,890,000 (equivalent to approximately RMB303,240,000) out of the contributed surplus of the Company. It is expected that the relevant dividend will be paid by 25 July 2022 to those entitled, subject to shareholders' approval at the forthcoming annual general meeting.

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 2021.

SCOPE OF WORK OF KPMG ON THIS ANNUAL RESULTS ANNOUNCEMENT

The financial figures in respect of the Group's consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this annual results announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on this announcement.

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 2021.

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, Sinofert Holdings Limited and its Board are committed to maintaining a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practices on corporate governance, and compliance with the applicable corporate governance standards contained in relevant codes as set out in the Listing Rules.

The Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules in effect for the year ended 31 December 2021 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 2021 and up to the date of this announcement, the Company has complied with the applicable code provisions set out in the Corporate Governance Code, except for the deviations from the code provisions A.1.7 (code provision C.5.7 set out in the Corporate Governance Code effective 1 January 2022) and E.1.2 (code provision F.2.2 set out in the Corporate Governance Code effective 1 January 2022) 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 also held senior positions in the controlling or substantial shareholders of the Company were regarded as having material interests therein. As the Directors of the Company are living and working 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 terms of 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 7 June 2021 (the "**2021 AGM**"), Mr. J. Erik Fyrwald, Chairman of the Board, did not chair the meeting because he was not able to travel to Hong Kong due to worldwide pandemic situation and also he was in different time zone with Hong Kong at the time of 2021 AGM. In order to ensure smooth holding of the 2021 AGM, Mr. Fyrwald authorized and the Directors attending the meeting elected Mr. Harry Yang, the Executive Director of the Company, to chair the meeting. Respective chairmen or representatives of the audit, remuneration, nomination and corporate governance committee of the Company were present at the 2021 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 2021 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), 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 of
SINOFERT HOLDINGS LIMITED
Qin Hengde
Executive Director and Chief Executive Officer

Hong Kong, 22 March 2022