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 2022

FINANCIAL HIGHLIGHTS

- The Group's turnover was RMB23,003 million (2021: RMB22,641 million), increased by 1.6% year on year
- Profit for the year attributable to owners of the Company was RMB1,117 million (2021: RMB867 million), increased by 28.84% year on year
- Basic earnings per share for the year was RMB0.1590 (2021: RMB0.1234), increased by 28.84% year on year
- The Board recommended the payment of a final dividend of HK$0.0623 per share (equivalent to approximately RMB0.0557 per share) (2021: HK$0.0528, equivalent to approximately RMB0.0432)

CHAIRMAN'S STATEMENT

To shareholders,

On behalf of the Board of Directors, I hereby report to all shareholders the annual results of Sinofert Holdings Limited and its subsidiaries for the year ended 31 December 2022.

In the first half of 2022, the supply and demand of fertilizers continued to be in a tight balance due to the recurrent outbreak of the pandemic and international geopolitical conflicts, and the boom of the industry boosted prices to a historical high. However, with the successive sharp rate hikes of the Federal Reserve and domestic agricultural demand entering the off-season, fertilizer prices fell rapidly after surging high in the second half of 2022 and remained low with volatility. In the face of the complex and volatile external environment, the Group insisted on staying ahead by innovation, focused on the implementation of key strategies such as differentiation and industry quality improvement and efficiency enhancement, and achieved significant year-on-year growth in results. In 2022, the Group achieved a turnover of RMB23.003 billion, representing a year-on-year growth of 1.6%, profit attributable to owners of the Company of RMB1.117 billion, representing a year-on-year growth of 28.84%, and significant improvement in profitability. All operating indicators of the Group performed well, and the debt to assets structure was steady with a relatively strong risk response capability.

In the first half of 2022, under the pressure of tight supply and rising costs, the Basic Fertilizers Division firmly implemented the state's requirement to maintain supply and stabilize prices, and ensured direct supply to end-users in the industrial and agricultural sectors by leveraging the advantages of the supply chain. As the market demand weakened in the second half of the year, the Group continued to enhance the market development and promotion of differentiated products such as "Fenghexiang" potash fertilizers, Meilinmei series of phosphate fertilizers and Daheyiu nitrogen fertilizers on the basis of consolidating cooperation with quality strategic suppliers, and adopted a combination of online and offline modes to strengthen technical services and customer satisfaction. It improved the service models for green planting and continued to improve the digitization level and technological excellence of products. Through scientific proportioning, differentiated formulations and streamlined processes, it helped growers reduce production costs, reduce carbon emissions and enhance production efficiency and economic benefits. In 2022, profit before taxation of the Basic Fertilizers Division amounted to RMB700 million, representing a year-on-year increase of 16.70%.

The Distribution Division achieved quality and rapid growth. With the focus on core crops, the Group concentrated on the difficulties in crop cultivation and soil health strategy, and provided professional solutions for farmers through the promotion of fertilizer and pesticide packages and full tracking services. It has continuously improved our technical service capability and marketing and promotion level, focusing on high-end cash crop products and high cost-price ratio cereal crops, making breakthroughs in bio-stimulants and microbial technology products and significantly improving the competitiveness of the core single products. Through expanding diversified channels and improving our technical service capabilities, our direct retailers, large-scale planting companies and customers from special channels accounted for 62% of our sales. By actively coordinating with Syngenta Group's internal resources, Sinochem Agriculture and the Synergy from Crop Protection Business has surged in size. In 2022, the sales revenue of the Distribution Division reached RMB7.435 billion, representing a year-on-year growth of 12.08%. The sales volume of special fertilizers and various differentiated compound fertilizers were 1,270,000 tons, up by 27% year on year. Profit before taxation of the Distribution Division amounted to RMB185 million, up by 10.94% year on year.

Overcoming the adverse effects of rising prices of raw materials, the production enterprises gave full play to the advantages of its own resources and made every effort to ensure stable, long-lasting and optimal operations. As a result, the gross profit margin hit a record high. During 2022, the annual sales volume of the production enterprises amounted to 660,000 tons in aggregate. Profit before taxation amounted to RMB516 million, up by 86.35% year on year. The relocation project of Sinochem Chongqing Fuling Chemicals Co., Ltd. ("Sinochem Fuling") has been completed with success in the first run.

The R&D investment steadily increased while the R&D capability was further strengthened. The Group cooperated with scientific research institutions including the Chinese Academy of Agricultural Sciences to jointly establish the "National Engineering Research Center for Arable Land Protection" which was officially launched this year. Relying on the national-level R&D platform, it has initially established a R&D system of "biotechnology + soil health + nutrient efficiency", made breakthroughs in biological preparations and "Bio+" fertilizer products, and continued to promote the synergy by coordination among research, production and sales. In 2022, the Group achieved a total of 1,053,000 tons of transformed amount of scientific research results of new products, representing an 18% year-on-year increase.

In the face of a complex and changing market environment, the Board of Directors of the Company has always insisted on adherence 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 2022 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.

Looking to 2023, the uncertainty of geopolitical conflicts and the increasingly tightening overseas monetary policies brought substantial risks and challenges to the production, import and distribution of fertilizers in China. However, with the gradual escalation of the international food safety situation, the country has focused on stabilizing the agricultural base, and the 20th Party Congress has clearly defined the objectives of accelerating the construction of a strong agricultural country, making "ensuring a stable and safe supply of food and important agricultural products" the top priority for building a strong agricultural country. The "No. 1 Central Document for 2023" has clearly defined the basic direction of green development of agriculture in terms of policy framework, accelerated the agricultural input reduction, promoted application of efficiency enhancement technologies and facilitated fertigation in order to drive the overall transformation of the fertilizer industry, which has brought significant opportunities for strategic transformation of the Group.

In 2023, the Group will continue to fulfill its role as a central enterprise and strictly implement the national policies on ensuring supply and price stability of fertilizers as well as food safety. The Group will also continue to promote the strategic transformation of biofertilizer + soil health to improve the nutrient utilization rate of chemical fertilizers, reduce carbon emission and promote healthy soil development through R&D and innovation. The potash fertilizer business and phosphate fertilizer business will continue to consolidate their market shares, further strengthen their strategic sourcing capabilities, deepen the expansion of high-quality supply channels, and consolidate the core customer system for industry and agriculture to firmly support strategic transformation of the Group. The production enterprises will make full use of their advantages in mineral resources to extend and strengthen the development of the entire industry chain from resources, production to distribution. The commencement of production in Sinochem Fuling will become a new driving force for the Group's performance growth.

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 original mission of working for the welfare of Chinese farmers and the transformation of the Chinese agriculture industry, and work ever harder to continuously make contribution to the development of the Group.

Liu Hongsheng
Chairman of the Board

Hong Kong, 20 March 2023

MANAGEMENT REVIEW AND PROSPECT

Business Environment

During 2022, the global market was under the impact of the complex and volatile political and economic situation, geopolitical conflicts, financial market turmoil and recurrent outbreak of the pandemic. The pressure of demand contraction, supply shock and weakening expectations also brought challenges to the domestic market. The Chinese government has been tackling difficulties and doing a good job, focusing on stabilizing the macroeconomy, properly reducing government leverage through precise fiscal policies, expanding the scale of fiscal spending, and further expanding the benefits of tax and fee cuts. Supported by the timely implementation of a stable monetary policy with successive rate cuts leading to lower market interest rates, the domestic economy grew steadily in 2022, with a 3% increase in GDP growth compared to the same period last year.

In 2022, the Chinese government consolidated the achievements of poverty eradication, clearly defined the two bottom lines of guaranteeing national food security and not returning to poverty on a large scale, comprehensively promoted rural revitalization and accelerated the key work of agricultural and rural modernization. The role of agriculture as a ballast for economic and social development has become increasingly prominent. The production of important agricultural products has progressed in a stable manner. In the face of the macroeconomic downturn and pressure from various parties, the rapid development of agriculture has made positive contributions to the efforts of "stability on the six fronts" and "security in the six areas" and the national economic and social development in all aspects. The 20th Party Congress has clearly defined the key task of accelerating the construction of a strong agricultural country, promoted agricultural development from the pursuit of speed and scale to focus on quality, efficiency and competitiveness driven by innovation in science and technology and mechanisms, and accelerated the realization of the leap from a large agricultural country to a strong agricultural country.

During 2022, the fertilizer market experienced severe challenges, with international and domestic energy prices, shipping prices and commodity prices fluctuating sharply, and fertilizer prices showing a downward trend in the second half of the year after an upsurge in the first half. The Chinese government has taken various measures to ensure the stability of domestic fertilizer supply and prices through scientific reserves and subsidies to farmers. On the other hand, the Chinese government continued to strengthen the macro-control policy on the fertilizer industry to promote the use of less fertilizer and efficiency improvement, and carried out in-depth soil testing and formula-based fertilization to undergo continuous optimization of the fertilizer input structure, guiding enterprises and social service organizations to develop scientific fertilizer application technology services, protect soil health and safeguard national food safety.

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

Financial Performance

For the 12 months ended 31 December 2022, the Group's revenue amounted to RMB23.003 billion, up by 1.6% over the corresponding period in 2021. Profit attributable to owners of the Company amounted to RMB1.117 billion, increasing significantly by 28.84% over the corresponding period in 2021.

Research and Development

In 2022, the Group continued to build up our R&D capacity in crop nutrition, cooperating with the Chinese Academy of Agricultural Sciences and other research institutions to build the platform of the "National Engineering Research Center for Arable Land Protection", which was listed and operated. Based on the national-level R&D platform, we have initially established a "biotechnology – soil health – nutrient efficiency" R&D system, and made breakthroughs in a number of biologics and "Bio+" fertilizer products. The first self-researched and self-produced bio-stimulant, "Youcuilu", was officially launched and its sales volume exceeded 1,000 kiloliters in the first year. The trial production of the second bio-stimulant, "Youliangmei", was successful and it has entered the trial promotion stage. "Bio+ fertilizer" products, such as Lanlin, Yaxin, Junyue and Meilinmei, have been upgraded and optimized, with sales increment of more than 50% compared with 2021. "Bio+ soil health" bio-organic fertilizer products were developed and launched in 2022, with a cumulative sales of 76,000 tons. Through the collaboration of research, production and sales, we realized a total of 1,053,000 tons of scientific research results of new products in 2022, representing an 18% year-on-year increase.

In the future, the Group will further develop the R&D system of "biologics – soil health – nutrient efficiency", focusing on enhancing the R&D capability of biotechnology. We will focus on the key technologies of biologics and soil health to promote efficient crop nutrient uptake, improve crop yield and quality, and develop and promote new crop nutrition products through an integrated mechanism of research, production and marketing. At the same time, we will continue to focus on resources, plan for improving soil health, promote key core technologies, implement arable land protection policies, improve the quality of arable land and contribute to soil health improvement.

Production and Manufacturing

In 2022, in the face of the complex and volatile economic environment, the major subsidiaries of the Company adjusted their production and sales strategies promptly based on the market supply and demand as well as price movements, and utilized their resource advantages to achieve full production and sales in a stable and long-term manner, resulting in significant improvement in operating results.

In 2022, facing unfavorable circumstances such as the substantial fluctuations in the prices of major raw materials such as sulfur and sulfuric acid, the repeated recurrence of the COVID-19 pandemic, extreme regional weather and sharp movements in the exchange rates of the US Dollar, Sinochem Yunlong, a subsidiary of the Company, took full advantage of our resources, insisted on implementing pandemic prevention and control measures, ensured the supply of coal and phosphate ore, tightly grasped safe production and secured premium orders and production, ushing new highs in performance indicators, During 2022, Sinochem Yunlong produced 342,900 tons of calcium feed, an increase of 6.69% year-on-year, and a total net profit of RMB275 million was realized, an increase of 83.89% year-on-year. Adhering to the core value concept of "In Science We Trust", we are committed to "becoming a leading global production expert of high phosphorous MCP/DCP and creating a leading green brand in animal nutrition". According to our strategic development plan, the Group fully implemented the five major development concepts of innovation, coordination, green, openness and sharing, constructed a green ecological industrial system, developed a circular economy, focused on solving the difficult problems of comprehensive utilization of phosphogypsum, flotation tailings, extracted acid and residual acid, realized efficient recovery of fluorine and graded utilization of phosphorus, stabilized the existing production of high phosphorus feed calcium, developed functional phosphorus fertilizer and green building materials, built a flexible manufacturing platform for fine phosphorus chemicals and new materials with international competitiveness, and promoted the Group's green and sustainable development.

During 2022, Sinochem Changshan, a subsidiary of the Company, actively implemented the development requirements of stable economic growth. Facing the unfavourable situation of rising coal and electricity prices as well as the implementation of static control over unexpected epidemics in the region, it overcame the difficulties in commuting, loading and transportation, raw material procurement, etc., and organized its staff to station at the plant and take targeted measures to achieve "safe, stable, long, full and excellent and efficient" operation of production facilities. In 2022, Sinochem Changshan exceeded the production volume target for the year and achieved a total net profit of RMB143 million, an increase of 17.36% year-on-year. It insisted on building eco-friendly factories, initiated the advancement of the "dual carbon" work, implemented the "short-term goal" of carbon reduction, commissioned a 30,000-ton CO2 liquefaction plant, and realized the recovery of 8,748 tons of CO2. It insisted on the goal of strengthening and optimizing the development of the industry, and the sales share of the key products in the core markets reached 46%, further strengthening the foundation of its operation.

In 2022, Sinochem Fuling, a subsidiary of the Company, continued to implement the directive of the Yangtze River Economic Belt Construction's "jointly focusing on great protection of the environment and avoiding large-scale development" by promoting the overall environmental relocation. Overcoming the unfavorable factors such as the outbreak of the pandemic, price fluctuations of bulk raw materials, it successfully completed the construction of the first phase of the environmental relocation project –

200,000 tons/year of fine phosphate and complemented by a new dedicated fertilizer. Being completed and put into production as scheduled, the facilities were successfully started up in one go and entered the trial production stage. At present, all the facilities are in safe and stable operation, including ammonia facilities, phosphoric acid purification, high-grade fire-retardant materials, medium-grade fire-retardant materials and dihydrogen potassium phosphate, all of which were running at full load, and the sulfuric acid facility has passed the 72-hour performance simulation test. The annual production of various phosphate and fertilizer products amounted to 208,000 tons, and the sales of various products reached 181,300 tons. At the same time, the sewage treatment station of the old plant in Nananpu was running stably. The preliminary investigation of soil treatment has been completed and the official report has been evaluated and approved by the District Ecological and Environmental Protection Bureau.

Basic Fertilizers Operations

In the first half of 2022, under the pressure of tight supply and rising prices of various types of fertilizers, the Group adopted a number of measures firmly and implemented the national requirement to maintain supply and stabilize prices by expanding the procurement channels and exploring the service mode for industry and agriculture to ensure the supply of basic fertilizers in the market. With the weakening of market demand in the second half of the year, the Group strengthened our cooperation with quality strategic suppliers and increased the marketing and promotion of differentiated products such as Fenghexiang agricultural potash, Meilinmei series of phosphate fertilizers and Daheyiu nitrogen fertilizers, combining online and offline modes to continuously enhance the marketing and servicing capability. The number of registered users, logistics and transportation volume, transaction volume and online payment amount of the Fertex platform continued to increase. The two awards granted at the Dingge Award further enhanced the influence of the Group's digital transformation in the industry. We have improved our green planting service model and continued to raise the level of digitization and technologies of our products. Through scientific proportioning, differentiated formulas and streamlined processes, we helped growers reduce their production costs and carbon emissions, and helped farmers improve their production efficiency and economic benefits.

Potash Fertilizer Operations

In 2022, geopolitical conflicts Ukraine led to mounting in pressure on the international supply chain and an increase in the price differential between the international and domestic potash markets, with international potash being prioritized for supply to high-priced regions, resulting in a significant shortage of potash supply in the market. The Group continued to consolidate its strategic cooperation with international suppliers to maintain its potash prices at a lower level in the global market. The renewal of the exclusive agency agreement for 2023-2025with Arab Potash Company of Jordan helps secure the supply of quality materials. At the same time, we strengthened the strategic cooperation with Qinghai Salt Lake Industry Co., Ltd., improved the convergence of procurement and sales as well as coordination of distribution and transportation, and made every effort to ensure the domestic supply of potash. We continuously promoted the construction of the core customer system, strengthened the analysis and judgment of market information, provided value-added services in logistics and finance, improved the professional marketing and servicing capability and continued to enhance the market position and influence in the industry. We have deepened the marketing of agricultural potassium, promoted the construction of our agricultural potassium brand "Fenghexiang", enriched our multi-product differentiation matrix, reshaped our channel system, promoted the digitalization of our channels and online marketing projects, and continuously increased our market share.

Nitrogen Fertilizer Operations

The nitrogen fertilizer operations achieved a sales volume of 1,250,000 tons in 2022, representing a decrease of 1,620,000 tons year-on-year, of which the nitrogen fertilizer operations accounted for 18.12% of the total, representing a decrease of 9.48 percentage points year-on-year. To enhance profitability, the Group continued to adjust our product mix and reduce the share of the low-margin nitrogen fertilizer business.

Phosphate Fertilizer Operations

In 2022, the phosphate fertilizer operations achieved a sales volume of 1.72 million tons. The Group achieved excellent results in strategic sourcing, effectively securing a stable supply of quality phosphate fertilizers in important periods of time like the spring ploughing and autumn sowing despite the tight supply of phosphate ore and the reduction and suspension of production at small and medium-sized plants, and further enhancing the adhesion of cooperation with core customers. We also started to adjust the value of our phosphate fertilizer operations to provide integrated solutions to cater for the most concerned upstream and downstream demand, achieving stable profit contribution, increasing customer value, continuously consolidating our position as a leading distributor of phosphate fertilizers in the domestic market. Technology-based "Meilinmei" series products effectively improve phosphate fertilizer utilization, protect soil health and save upstream phosphate resources while helping farmers to increase production and harvest, with sales maintaining rapid growth to exceed 200,000 tons. Leveraging our advantages, the Group promoted the extension of the chain of phosphate fertilizers. High-purity phosphate (high content of monoammonium and phosphoric acid, etc.) has been steadily increasing in the water-soluble fertilizer and agricultural drip irrigation channels, and has achieved breakthroughs in the fields of new energy, fine phosphorus chemicals, food additives, medical intermediates, fireproof materials processing, etc.

Distribution Operations

We continued to promote the DTS channel deepening strategy, expanded franchised stores with direct supply, and continuously focused on key large accounts and sinking channels to facilitate rapid development of operations. We deepened the distribution channel to strengthen the development of customers with fertilizer and medicine combinations and promoted the creation of core shops to help transformation and development of retailers. To increase sales of core crops, we rapidly boosted the internal synergy sales of Syngenta Group China through promotions of fertilizer and pesticide packages and full tracking services. The direct sales channel revolves around large growers and commercial growers, integrating the resources of the industry chain and providing one-to-one customized products and technical services for large growers with fertilizer and medicine combinations. We strengthened cooperation with special channels, expanded the volume of cooperation with PetroChina and China Post, etc. and continuously innovated cooperation models.

Compound Fertilizer Operations

In 2022, the compound fertilizer operations achieved a sales volume of 1,950,000 tons. Among them, the sales volume of differentiated products was 1,210,000 tons, an increase of 34.44% year-on-year while the sales volume of bio-fertilizer was 600,000 tons, an increase of 73% year-on-year. The Group accelerated the optimization of the product structure of compound fertilizers and further enhanced the effectiveness of our products by increasing the conversion of self-research results and the introduction of external technologies, focusing on multi-technology integrated products to solve crucial issues in planting, reduce weight and increase efficiency, increase productivity and improve quality. Through leading technologies such as bio-activation technology, microbial compounding technology and organic and inorganic coupling, we accelerated the development and operation of nutrient-efficient, bio-activation and soil health products, effectively implemented the national strategy to improve the quality of arable land, and effectively promoted the Company's biological strategy and soil health strategy. At the same time, we focused on the crucial issues of crop cultivation and soil health, and provided professional solutions to farmers. We have been continuously improving our technical service capability and marketing and promotion level, focusing on high-end economic crop products and high-cost food crop products, both of which have achieved good results.

Special Fertilizer Operations

In 2022, the sales volume of specialty fertilizers amounted to 60,000 tons. In line with our goal of green and sustainable agricultural development, the Group continued to invest in the research and development of new fertilizers and their production capacity, forming more complete research, production and marketing system and production capacity layout. In 2022, we completed the construction of a new 100,000-ton special fertilizer production base in Linyi City, Shandong Province, which was smoothly put into production, realizing the growth of production capacity and the iterative upgrade of production technologies as well as laying the foundation for more efficient R&D and transformation and better customer service. The sales of new key bio-stimulant products developed and promoted in the year grew rapidly, meeting the demand of farmers to mix in use to increase production, save time and labor. During this year, the Group continued to increase efforts on the business development of water and fertilizer integration based on remote communication and remote-control technology, and formed the capacity to design and construct various agricultural forms such as high-standard farmland, greenhouses and landscape farming, etc. Our "Research and Development and Promotion of Water and Fertilizer Management Intelligent Equipment and Digital Management Solutions" was recognized as an IOT demonstration project by the Ministry of Industry and Information Technology.

Collaboration with Syngenta Group

During 2022, the Group adhered to the cross-business synergistic development strategy of Syngenta Group in China, actively developed comprehensive synergies among various business units, and promoted the quality and rapid development of the crop protection business and the seed business. We also introduced crop protection bio-activation products, namely "Guanwushuang" and "Rui Keming", realized the R&D innovation of compound fertilizers, and ensured the supply of modern agricultural crop nutrition products. In 2022, we achieved RMB336 million in revenue from crop protection synergies, with a three-year compound growth rate of 24%. The revenue from seed synergies amounted to RMB12.78 million, selling nearly 20 synergistic species with the seed business in rice, corn, vegetables, wheat and other crops. In terms of production research and development, we collaborated with Sinochem Agriculture Holdings Limited to promote the customization and conversion of products of the core masterbatch series, supplying 280,000 tons of basic fertilizers and 45,000 tons of compound fertilizers and special fertilizers. We also collaborated with the crop protection business to jointly develop functional fertilizers, namely "Lanlin Guanwushuang" and "Yaxin Rui Keming". We integrated the internal resources of Syngenta Group China and deepened the collaboration projects with large customers such as Beidahuang, COFCO and Bright Food Group, with an increase in sales income of RMB100 million year-on-year.

Technical Services and Digital Innovation

In 2022, the Group continued to promote free soil testing services, technical guidance for field activities, online and offline technical seminars, and the protection of rights and anti-counterfeiting, and integrated quality resources to provide farmers with a full range of crop technical solutions. The Group carried out more than 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 and reduced the amount of pesticide and fertilizer application. Fertilizer and pesticide solutions were developed according to the characteristics of crops. Good seeds and good methods were promoted for the efficient development of the agricultural industry. The comprehensive integration of the advantages of biotechnology has also promoted the green and sustainable development of agriculture through biotechnology empowerment. The combination of online and offline services has accelerated user attraction. A total of 13,549 "Nong Xiao Hui" retail shops have gone online to promote digital check-in pilots and to continuously enhance digital marketing efficiency.

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

Internal Control and Management

The Group's internal control and risk management system 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 2022, the Group adhered to the management philosophy of Syngenta Group China, and built agile, effective and open functional headquarters to further deepen the establishment of internal risk control system to actively empower, support and safeguard our business development: During the year, the headquarters vigorously promoted risk culture through various means, such as risk talks by business leaders, professional department trainings, systematic monthly meetings of finance and risk responsible personnel, thematic meeting presentations, quarterly financial internal control self-inspection, half-yearly work report and daily WeChat promotion of risk management experience, 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". During the year, we continued to identify risks, monitor major risks, comprehensively investigate operational risks and focus on the establishment of a long-term mechanism. We continued to revise and improve systems and regulations, and organize the system of authorities and responsibilities. During the year, the headquarters focused on enhancing compliance and risk control coordination, convened coordination meetings, focused on solving business problems and empowering the businesses, The headquarters collaborated with key units to carry out clean compliance improvement work in the second half of the year. In 2022, 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 2022, the Group focused on strengthening the internal control of our overseas business units and incorporated their operations into our daily financial management performance.

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

Social Responsibility

The Group served the Chinese farmers wholeheartedly, and actively brought into play our influence and leading status in the industry. The Group directly provided agricultural inputs to the grass-root level and ensured steady supply of products through our comprehensive agricultural inputs distribution and service network covering more than 95% of China's arable land during the key period of spring cultivation, summer sowing and autumn harvesting seasons. Meanwhile, the Group provided comprehensive and differentiated tailored services for large-scale planters and new planting entities to guide them to fertilize scientifically. By integrating high-quality resources, the Group realized complementary advantages and provided farmers with comprehensive training services such as crop nutrition, crop protection, seeds and planting techniques. While gradually developing comprehensive crop cultivation solutions across the country to help farmers reduce planting costs, we improved yield and quality, and thus increased farmers' income.

Following the deployment of the Central Committee and the State Council, the Group has taken various measures to ensure supply and price stability in line with the implementation of national policies and macro-control, thereby fulfilling the responsibilities of our role as a state-owned enterprise. Subject to safe production, the Group made every effort to ensure that our internal production capacity was fully utilized such that our products were released to the domestic market in a timely manner. By leveraging our advantages in capital, warehousing and logistics, the Group joined hands with major upstream suppliers to release more product resources to the domestic market to ensure the supply of product resources to the market. We played an active role in the negotiation of potash, maintained our position of international hub for potash fertilizer for many years, and increased efforts to obtain imported potash resources to fully protect the domestic supply. We placed multiple batches of potash fertilizer reserves in strict accordance with the relevant requirements to give full play to the regulating role of potassium fertilizer reserves, stabilizing the domestic market and ensuring food safety.

In 2022, the Group continued to provide crop technology solutions to farmers, and accumulated more than 50,000 comprehensive technical service activities. The Group conducted more than 3,000 trial and demonstration fields around the "Double Reduction and Increasing Efficiency" initiative, and conducted more than 8,000 planting technology training sessions and more than 3,000 demonstration sessions through a combination of online and offline methods, and distributed more than 100,000 copies of online and offline technical solutions, directly benefiting more than 5 million farmers.

The Group has been adhering to the bottom line of food safety, deeply implemented the strategy of stable and quality production and launching the brand new "Houpu soil health +" service platform, with the vision of "making every inch of land fertile for harvest". The objective of "Houpu soil health +" is to promote sustainable and commercial transformation by insisting on digitalization and innovation drivers to create a soil health indicator system, an open innovation platform for soil health, a soil health product and technology system, diversified service channels, an O2O soil health digital hospital and an open soil health ecosystem to provide our customers with diagnostic soil health assessments, soil health enhancement services and sustainable soil health management services. During this year, we have achieved a number of successful practices in the agricultural market and government market. The Houpu soil health strategy aims to solve the problems of arable land, promote sustainability and food safety, lead the quality development of the agricultural industry, and help the overall realization of rural revitalization.

Outlook

In 2023, the global economic recovery will still face many challenges due to geopolitical tensions, climate changes and high inflation. The Chinese government will be able to cope with the century-old reform, fully implement the spirit of the 20th Party Congress, and clearly adhere to the general keynote of seeking progress while maintaining stability. We will also fully, accurately and comprehensively implement the new development philosophy, accelerate the construction of a new development pattern, and quickly switch the focus from pandemic prevention and control to full recovery and economic boost.

The "No. 1 Central Document for 2023" anchors the goal of accelerating the construction of a strong agricultural country, focuses on the theme of rural revitalization, enforces the ideas of "guarding the bottom line, promotes revitalization and strengthening protection", and accelerates the construction of agricultural and rural modernization through technological innovation and technical innovation. Being a leading technology-based marketing and service provider of crop nutrition in China, the Group will steadily promote the development of Sinochem Agriculture, strengthen the investment in high-tech agricultural products, optimize the service level to farmers, standardize product management, combine the innovative operation mode of the Internet and agriculture, give full play to the advantages of integrated research, production and marketing, continue to improve technology, services and products, and implement marketing programs that are in line with agricultural development, enhance efficiency of agricultural production and ensure food safety.

In 2023, under the Syngenta Group China's structure, the Group will actively implement the national policy of securing supply and stabilizing prices, deepen procurement channels and fully utilize our own resource advantages to support the strategic transformation of the Group by strengthening and extending the industrial chain. We will vigorously promote technological innovation and industrial upgrading, focus on the transformation and development of biofertilizers with soil health as the guiding principle, strive to promote the sustainable and healthy development of agriculture in China, support the transformation of China from a large agricultural country to a strong agricultural country and create value for our shareholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended 31 December 2022, the Group recorded sales volume of 6.9 million tons, down by 33.65% over the year ended 31 December 2021. And the Group's revenue was RMB23,003 million, up by 1.6% over the year ended 31 December 2021.

For the year ended 31 December 2022, the Group attained gross profit of RMB2,576 million, up by 31.45% over the year ended 31 December 2021. Profit attributable to owners of the Company was RMB1,117 million, up by 28.84% over the year ended 31 December 2021.

I. OPERATION SCALE

(I) Sales volume

For the year ended 31 December 2022, the Group recorded sales volume of 6.9 million tons, down by 33.65% over the year ended 31 December 2021. In 2022, the international financial market was in turmoil. The global supply chain was disrupted due to the pandemic and geopolitical conflicts, and commodity prices fell rapidly after climbing to high levels. In the face of the complex and volatile macroeconomic environment, the Group was determined to promote strategic transformation. Enhancing technological excellence of products through innovation in research and development, it continuously implemented differentiated strategies and actively integrated the synergistic advantages with the Syngenta Group. The Group improved its market competitiveness by focusing on the establishment of a crop-oriented pesticide and fertilizer system.

The Group continued to optimize its product structure by transforming it into environment-friendly and highly efficient fertilizers, forming a pipeline of differentiated products. While the low-margin businesses of nitrogen fertilizers and sulfur was significantly reduced by 2.16 million tons year-on-year, new types of phosphate fertilizers and high-end compound fertilizers have gradually became the star products. During 2022, the total sales volume of various differentiated products of 1.47 million tons, up by 31.25% over the corresponding period in 2021. Thereinto, sales volume of differentiated compound fertilizers was 1.21 million tons, up by 34.44% over the corresponding period in 2021, and sales volume of new types of phosphate fertilizers was 200,000 tons, up by 66.67% over the corresponding period in 2021.

(II) Revenue

For the year ended 31 December 2022, the Group recorded revenue of RMB23.003 billion, up by RMB362 million or 1.6% compared with the corresponding period in 2021, mainly resulting from global inflation and an increase in average selling price of products.

Table 1

	For the year ended 31 December			
	2022		2021	
	Revenue ***RMB'000***	**As percentage of total revenue**	Revenue *RMB'000*	As percentage of total revenue
Compound fertilizers	**6,477,592**	**28%**	5,588,956	25%
Nitrogen fertilizers	**3,057,428**	**13%**	4,908,801	22%
Phosphate fertilizers	**5,767,023**	**25%**	5,026,005	22%
Potash fertilizers	**4,027,895**	**18%**	3,416,235	15%
Monocalcium/Dicalcium phosphate (MCP/DCP)	**1,530,881**	**7%**	968,164	4%
Special fertilizers	**393,400**	**2%**	491,972	2%
Others	**1,748,482**	**7%**	2,241,263	10%
Total	**23,002,701**	**100%**	22,641,396	100%

(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 2022 and the year ended 31 December 2021.

Table 2

	For the year ended 31 December 2022				
	Basic Fertilizers *RMB'000*	**Distribution** *RMB'000*	**Production** *RMB'000*	**Elimination** *RMB'000*	**Total** *RMB'000*
Revenue					
External revenue	**13,001,182**	**7,434,558**	**2,566,961**	**–**	**23,002,701**
Internal revenue	**1,549,625**	**5,063**	**881,731**	**(2,436,419)**	**–**
Segment revenue	**14,550,807**	**7,439,621**	**3,448,692**	**(2,436,419)**	**23,002,701**
Segment profit	**700,258**	**184,588**	**516,173**	**–**	**1,401,019**

	For the year ended 31 December 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
Segment profit	600,061	166,390	276,991	–	1,043,442

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 2022, the external revenue of the Group increased by RMB361 million or 1.60% over the year ended 31 December 2021, mainly resulted from an increase in average selling price of fertilizer products.

For the year ended 31 December 2022, the segment profit of the Group was RMB1.401 billion. In particular, the Basic Fertilizers Segment continued to deepen the strategic procurement channels and give full play to the advantages of the supply chain to ensure the supply of basic fertilizers in the market. At the same time, it continued to innovate business model to accelerate business operation transformation. For the year ended 31 December 2021, the Basic Fertilizers Segment made a profit of RMB700 million, up by 16.7% over the corresponding period in 2021. The Distribution Segment accelerated the implementation of differentiation strategy, and integration of research, production and sales drove gross profit improvement. The Distribution Segment made a profit of RMB185 million in 2022, up by 10.94% over the corresponding period in 2021. The production enterprises overcame the adverse impact of rising raw material prices, fully exploited the advantages of resources and made every effort to ensure stable, persistent and satisfactory operation. In 2022, the Production Segment made a profit of RMB516 million, up by 86.35% over the corresponding period in 2021.

II. PROFIT

(I) Share of results of associates and joint ventures

Share of results of associates: For the year ended 31 December 2022, the Group's share of results of associates was a profit of RMB53 million, representing an increase of RMB40 million over the year ended 31 December 2021, which was mainly due to the Group's share of results of Guizhou Xinxin Coal Chemical Industry Co., Ltd being a profit of RMB45 million.

Share of results of joint ventures: For the year ended 31 December 2022, the Group's share of results of joint ventures was a profit of RMB95 million, representing a decrease of 48.37% from RMB184 million for the year ended 31 December 2021. The Group's share of results of Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. ("Three Circles-Sinochem") was a profit of RMB74 million, down by RMB84 million over the corresponding period in 2021. The Group's share of results of Gansu Wengfu Chemical Co., Ltd. ("Gansu Wengfu") was a profit of RMB21 million, down by RMB4 million over the corresponding period in 2021.

(II) Income tax

For the year ended 31 December 2022, the Group's income tax expense was RMB62 million, of which current income tax expense was RMB78 million and deferred income tax expense was RMB-16 million. In 2022, the taxable profit of subsidiaries of the Group increased over the previous year due to an improvement of business performance. As a result, current income tax expense increased by 52.2% compared with the corresponding period in 2021.

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 2022, profit attributable to owners of the Company was RMB1.117 billion, up by 28.84% compared with a profit of RMB867 million for the year ended 31 December 2021, representing a significant improvement in business performance. Faced with severe supply chain pressure and fierce market competition, the Group adhered to its strategic development direction, gave full play to the advantages of resources, increased the proportion of sales of differentiated products, enhanced customer service capabilities and promoted technical reform as well as product innovations to constantly deepen its business transformation and significantly enhance profitability.

For the year ended 31 December 2022, the Group's net profit margin calculated by dividing profit attributable to owners of the Company by revenue, was 4.86%, up by 1.03 percentage point over the corresponding period in 2021.

III. EXPENSES

For the year ended 31 December 2022, the three categories of expenses in aggregate amounted to RMB1,292 million, representing a decrease of RMB17 million or 1.3% from RMB1,309 million for the year ended 31 December 2021. In particular:

Selling and distribution expenses: For the year ended 31 December 2022, selling and distribution expenses amounted to RMB607 million, representing an inecrease of RMB24 million or 4.12% from RMB583 million for the year ended 31 December 2021. The significant decrease in relevant expenses as compared with last year was mainly because the Group expanded its sales force in order to deepen synergies and enhance channel service capabilities. At the same time, it optimized the incentive plan and the total labour costs of sales increased.

Administrative expenses: For the year ended 31 December 2022, administrative expenses amounted to RMB662 million, representing a decrease of RMB47 million or 6.63% from RMB709 million for the year ended 31 December 2021. This was because the Group optimized its management structure to achieve lean operation and efficiency. Moreover, it saved social security expenses by actively applying preferential policies during the COVID-19 pandemic period and total labour costs reduced by RMB41 million. During the COVID-19 period, office expenses and travel expenses decreased by RMB24 million due to a decrease in offline meetings and business travels.

Finance costs: For the year ended 31 December 2022, finance costs amounted to RMB23 million, representing an inecrease of RMB6 million or 35.29% from RMB17 million for the year ended 31 December 2021. This was mainly because the increase amount of bank loan..

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, etc. For the year ended 31 December 2022, the Group's other income and gains amounted to RMB119 million, representing a decrease of RMB118 million or 49.79% from RMB237 million for the year ended 31 December 2021, mainly attributable to the decrease in the gains on foreign exchange as well as income from sales of scrapped materials and raw materials.

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 2022, the Group's other expenses and losses amounted to RMB373 million, representing an increase of RMB161 million or 75.94% from RMB212 million for the year ended 31 December 2021. Such increase was mainly due to provisions for inventory impairment losses of RMB288 million under the impact of market price fluctuations.

VI. INVENTORIES

As at 31 December 2022, the Group's balance of inventories amounted to RMB5,673 million, representing an increase of RMB871 million or 18.14% from RMB4,802 million as at 31 December 2021, which was mainly attributable to the increase in the average costs of inventories. The inventory turnover days in 2022 was 95 days[(Note)], 7 days slower than that in 2021.

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 2022, the Group's balance of trade and bills receivables amounted to RMB657 million, representing a decrease of RMB70 million or 9.63% from RMB727 million as at 31 December 2021, which was mainly attributable to a decrease in the bills receivables.

The turnover days of trade and bills receivables of the Group were 11 days[(Note)] in 2022, 1 day slower than that in 2021. 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. INTERESTS IN JOINT VENTURES AND ASSOCIATES

As at 31 December 2022, the Group's balance of interests in joint ventures and associates amounted to RMB1,394 million, representing an increase of RMB109 million or 8.48% from RMB1,285 million as at 31 December 2021, which was mainly attributable to the increase in the profits of joint ventures and associates. The Group's total share of investment gains of joint ventures and associates accounted for under the equity method amounted to RMB148 million. The dividends received from Gansu Wengfu, Three Circles-Sinochem and Guihou Xinxin Coal Chemical Indusing Co., Ltd during the year were RMB10 million, RMB16 million and RMB13 million, respectively.

IX. INVESTMENTS IN OTHER EQUITY INSTRUMENTS

As at 31 December 2022, the Group's balance of investments in other equity instruments amounted to RMB189 million, representing a decrease of RMB122 million from RMB311 million as at 31 December 2021, which was mainly attributable to the disposal of shares of China XLX Fertiliser Ltd. held by the Group.

X. INTEREST-BEARING LIABILITIES

As at 31 December 2022, the Group's total interest-bearing liabilities amounted to RMB1,818 million, representing an inecrease of RMB724 million or 66.18% from RMB1,094 million as at 31 December 2021, which was mainly due to the increase by RMB700 million in the size of bank borrowings as compared with the end of 2021. For details of the interest-bearing liabilities. please refer to the section headed "XIII. LIQUIDITY AND FINANCIAL RESOURCES".

XI. TRADE AND BILLS PAYABLES

As at 31 December 2022, the Group's balance of trade and bills payables amounted to RMB2,499 million, which basically remained flat as compared with RMB2,412 million as at 31 December 2021.

XII. 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 section Management's 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 2022, the Group's basic earnings per share was RMB0.1590 and return on equity (ROE) was 12.25%, both of which showed a significant increase over the previous year.

Table 3

	2022	2021
Profitability		
Earnings per share (RMB) *(Note 1)*	**0.1590**	0.1234
Return on equity *(Note 2)*	**12.25%**	10.35%

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 2022, the Group's current ratio was 1.34, and its debt-to-equity ratio was 18.69%. 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	
	2022	2021
Solvency		
Current ratio *(Note 1)*	**1.34**	1.42
Debt-to-equity ratio *(Note 2)*	**18.69%**	12.17%

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.

XIII.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 2022, the Group's cash and cash equivalents amounted to RMB3,356 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	
	2022	2021
	RMB'000	*RMB'000*
Bank loan	**1,741,217**	1,041,215
Lease liabilities	**76,613**	52,526
Total	**1,817,830**	1,093,741

Table 6

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Carrying amount of interest-bearing liabilities		
Within one year	**469,527**	85,220
More than one year	**1,348,303**	1,008,521
Total	**1,817,830**	1,093,741

Table 7

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Fixed-rate interest-bearing liabilities	**408,830**	52,526
Floating-rate interest-bearing liabilities	**1,409,000**	1,041,215
Total	**1,817,830**	1,093,741

As at 31 December 2022, the Group had banking facilities equivalent to RMB27,339 million, including US$881 million and RMB21,203 million, respectively. The unutilized banking facilities amounted to RMB25,624 million, including US$808 million and RMB19,997 million, respectively.

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

XIV. OPERATIONAL AND FINANCIAL RISKS

The Group's major operational risks include the continuous spread of the COVID-19, geopolitical tensions, decelerated global economic and trade growth, the prolonged supply chain crisis and significant fluctuations in commodity prices. The escalation of geopolitical conflicts in 2022 resulted in global energy shortages, and the producer price index (PPI) of industrial products has risen 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 2021, enhancing the business confidence. On the one hand, the Group continuously cultivates strategic procurement channels to give full play to the supply chain advantages and ensure access to quality resources. By strengthening coordination with members of the Syngenta Group, it continuously enhances brand status and profitability. On the other hand, the Group continuously promotes strategic transformation and resource integration, realizes coordination among research, production and sales, and promotes product differentiation. With the focus on core crops, the Group concentrates on the difficulties in crop cultivation and soil health strategy, continuously optimizes the product structure, and continues to improve profitability. 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 2022. 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, The Group examines the recovery of its major trade receivables on the settlement date every month to ensure that the credit business was monitored and guaranteed.

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.

XV. CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no contingent liabilities.

XVI. CAPITAL COMMITMENT

Table 8

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Contracted but not provided for		
– Property, plant and equipment	**648,197**	1,092,504
Authorized but not contracted for		
– Property, plant and equipment	**402,364**	896,365
Total	**1,050,561**	1,988,869

XVII. MATERIAL INVESTMENTS

Among the capital commitments of the Group as at 31 December 2022, the major project was Sinochem Fuling's 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, which total expenditure has accumulated to RMB2,680 million, 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.

XVIII. 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 2022, the Group had about 4,504 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 2022, the Group provided training for 3,512 person-times, totalling 73,571 training hours (any training organized by the subsidiaries has not been included in these numbers) to employees. The training courses covered areas such as strategy implementation, corporate culture, leadership enhancement, marketing management, technical exchanges, digital transformation, compliance risks, epidemic control and prevention, finance, human resource management, safe production, language enhancement 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 2022, 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 2022

	Note	**2022**	2021
		RMB'000	*RMB'000*
Revenue	*3(a)*	**23,002,701**	22,641,396
Cost of sales		**(20,426,224)**	(20,681,394)
Gross profit		**2,576,477**	1,960,002
Other income and gains		**119,192**	237,244
Selling and distribution expenses		**(607,312)**	(583,323)
Administrative expenses		**(661,983)**	(708,545)
Other expenses and losses		**(373,230)**	(211,802)
Profit from operations		**1,053,144**	693,576
Share of results of associates		**53,499**	13,154
Share of results of joint ventures		**94,573**	184,459
Gain on disposal of subsidiaries		**8,021**	25,932
Finance costs	*4(a)*	**(22,514)**	(16,999)
Profit before taxation	*4*	**1,186,723**	900,122
Income tax	*5*	**(61,777)**	(19,615)
Profit for the year		**1,124,946**	880,507
Profit for the year attributable to:			
– Owners of the Company		**1,117,206**	866,612
– Non-controlling interests		**7,740**	13,895
		1,124,946	880,507

	Note	2022	2021
		RMB'000	*RMB'000*
Profit for the year		**1,124,946**	880,507
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)		**23,540**	113,014
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**(12,729)**	(45,591)
Other comprehensive income for the year		**10,811**	67,423
Total comprehensive income for the year		**1,135,757**	947,930
Total comprehensive income attributable to:			
– Owners of the Company		**1,128,017**	934,035
– Non-controlling interests		**7,740**	13,895
		1,135,757	947,930
Earnings per share			
Basic and diluted (RMB)	*7*	**0.1590**	0.1234

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	As at 31 December **2022** *RMB'000*	2021 *RMB'000*
Non-current assets			
Property, plant and equipment		**4,265,891**	3,742,989
Right-of-use assets		**648,849**	469,604
Mining rights		**319,614**	346,747
Intangible assets		**12,827**	14,962
Goodwill		**849,538**	822,551
Interests in associates		**746,313**	630,804
Interests in joint ventures		**647,648**	654,047
Other equity securities		**189,004**	310,744
Prepayments for acquisition of property, plant and equipment		**271,827**	191,783
Deferred tax assets		**100,534**	80,656
Other long-term assets		**37,954**	30,335
		8,089,999	7,295,222
Current assets			
Inventories		**5,672,836**	4,801,502
Trade and bills receivables	*8*	**656,889**	726,503
Other receivables and prepayments		**2,137,029**	1,942,690
Other current asssets		**896,538**	775,017
Loans to a related party		**–**	620,000
Other financial assets		**–**	2,737
Restricted bank deposits		**12,336**	16,930
Cash and cash equivalents		**3,356,184**	1,313,892
		12,731,812	10,199,271
Current liabilities			
Trade and bills payables	*9*	**2,499,152**	2,412,497
Contract liabilities		**5,063,762**	3,319,138
Other payables and provision		**1,455,217**	1,307,643
Bank loans		**421,217**	52,215
Lease liabilities		**48,310**	33,005
Tax liabilities		**36,525**	33,825
		9,524,183	7,158,323

	Note	As at 31 December **2022** ***RMB'000***	2021 *RMB'000*
Net current assets		**3,207,629**	3,040,948
Total assets less current liabilities		**11,297,628**	10,336,170
Non-current liabilities			
Bank loans		**1,320,000**	989,000
Lease liabilities		**28,303**	19,521
Deferred income		**69,177**	184,132
Deferred tax liabilities		**128,690**	138,073
Other long-term liabilities		**19,812**	21,720
		1,565,982	1,352,446
NET ASSETS		**9,731,646**	8,983,724
CAPITAL AND RESERVES			
Issued equity		**5,887,384**	5,887,384
Reserves		**3,616,058**	2,855,684
Total equity attributable to owners of the Company		**9,503,442**	8,743,068
Non-controlling interests		**228,204**	240,656
TOTAL EQUITY		**9,731,646**	8,983,724

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 2022 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 HKAS 16, *Property, plant and equipment: Proceeds before intended use*

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

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

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 2021.

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:

	2022	2021
	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	**4,027,895**	3,416,235
– Sales of nitrogen fertilizer	**3,057,428**	4,908,801
– Sales of compound fertilizer	**6,477,592**	5,588,956
– Sales of phosphate fertilizer	**5,767,023**	5,026,005
– Sales of monocalcium/dicalcium phosphate ("MCP/DCP")	**1,530,881**	968,164
– Sales of special fertilizer	**393,400**	491,972
– Others	**1,748,482**	2,241,263
	23,002,701	22,641,396

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.

2022	**Basic fertilizers** *RMB'000*	**Distribution** *RMB'000*	**Production** *RMB'000*	**Elimination** *RMB'000*	**Total** *RMB'000*
Revenue					
External revenue	13,001,182	7,434,558	2,566,961	–	23,002,701
Internal revenue	1,549,625	5,063	881,731	(2,436,419)	–
Segment revenue	14,550,807	7,439,621	3,448,692	(2,436,419)	23,002,701
Share of results of associates	–	–	59,842	–	59,842
Segment profit	700,258	184,588	516,173	–	1,401,019
Unallocated share of results of associates					(6,343)
Unallocated share of results of joint ventures					94,573
Unallocated expenses					(359,573)
Unallocated income					57,047
Profit before taxation					1,186,723

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

(ii) Other segment information

2022	**Basic fertilizers** *RMB'000*	**Distribution** *RMB'000*	**Production** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Amounts included in the measures of segment profit:					
Reversal of trade and bills receivables	**–**	**–**	**212**	**–**	**212**
Impairment of other receivables and prepayments	**–**	**–**	**–**	**(22,745)**	**(22,745)**
Impairment loss on other current assets	**–**	**–**	**(6,904)**	**–**	**(6,904)**
Depreciation and amortization	**(44,610)**	**(64,367)**	**(186,875)**	**(9,498)**	**(305,350)**
Write-down of inventories	**(250,519)**	**(33,153)**	**(3,948)**	**–**	**(287,620)**
Loss on disposal of property, plant and equipment	**4**	**(1,073)**	**(9,860)**	**–**	**(10,929)**
Write-off of payables	**471**	**2,495**	**15**	**3**	**2,984**

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

(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	
	2022	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Mainland China	**21,923,571**	21,972,912	**7,797,639**	6,902,732
Others	**1,079,130**	668,484	**2,822**	1,090
	23,002,701	22,641,396	**7,800,461**	6,903,822

4. PROFIT BEFORE TAXATION

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

(a) Finance Costs

	2022	2021
	RMB'000	*RMB'000*
Interest on borrowings	**77,736**	55,775
Interest on lease liabilities	**2,726**	2,275
Less: interest expense capitalized *(Note)*	**(57,948)**	(41,051)
	22,514	16,999

Note: The capitalization rate used to determine the amount of borrowing costs eligible for capitalization related to construction of production lines is 4.12% (2021: 2.86%) for the year ended 31 December 2022.

(b) Other items

	2022	2021
	RMB'000	*RMB'000*
Depreciation charge		
– owned property, plant and equipment	**196,502**	153,786
– right-of-use assets	**62,120**	56,851
Amortization of mining rights	**27,133**	34,024
Amortization of other long-term assets	**16,816**	13,136
Amortization of intangible assets	**2,779**	2,655
Provision for onerous contract	**–**	230,979
Impairment loss on property, plant and equipment	**–**	31,349
Loss on disposal of property, plant and equipment	**10,929**	–
(Reversal of)/impairment of trade and bills receivables	**(212)**	1,165
Impairment of other receivables and prepayments	**22,745**	1,453
Write-down of inventories	**287,620**	52,674
Fair value changes of forward foreign exchange contracts	**–**	429
Fair value changes of other financial assets	**403**	–
Foreign exchange loss	**4,140**	–
Loss on sales of semi-product, raw materials and scrapped materials	**34,315**	–
Impairment loss on mining rights	**–**	98,774
Impairment of other current assets	**6,904**	21,065
Rental income	**(5,844)**	(8,694)
Dividend income from listed equity securities	**–**	(4,922)
Interest income from related parties	**(14,186)**	(32,080)
Other interest income	**(48,076)**	(16,285)
Fair value changes of other financial assets	**–**	(104)
Government grants	**(5,132)**	(6,679)
Sales of semi-product, raw materials and scrapped materials	**–**	(47,941)
Release of deferred income	**(7,625)**	(7,579)
Insurance claims received	**(6,386)**	(15,788)
Write-off of payables	**(2,984)**	(436)
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)

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 represents:

	2022	2021
	RMB'000	*RMB'000*
Provision for the year	**(78,443)**	(51,540)
Under-provision in prior years	**–**	(1,974)
Deferred tax		
Origination and reversal of temporary differences	**16,666**	33,899
	(61,777)	(19,615)

(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 2022 is calculated at 16.5% (2021: 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 2022 is calculated at 12% of the estimated assessable profits for the year (2021:12%).

(v) The provision for Singapore Profits Tax for 2022 is calculated at 17% (2021: 17%) of the estimated assessable profits for the year.

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

	2022	2021
	RMB'000	*RMB'000*
Profit before taxation	**1,186,723**	900,122
Tax calculated at the applicable tax rate of 25%	**(296,681)**	(225,031)
Effect of different income tax rates	**45,435**	73,723
Tax effect of non-deductible expenses	**(4,045)**	(2,772)
Tax effect of non-taxable income	**897**	5,026
Tax effect of share of results of associates	**13,375**	3,289
Tax effect of share of results of joint ventures	**23,643**	46,115
Effect of prior year unrecognized tax losses and deductible temporary differences recognized during the year	**175,030**	98,837
Effect of tax losses and deductible temporary difference not recognized	**(19,431)**	(16,828)
Under-provision in prior years	**–**	(1,974)
Income tax expense for the year	**(61,777)**	(19,615)

6. DIVIDENDS

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

	2022	2021
	RMB'000	*RMB'000*
Proposed final dividend of HK\$0.0623, equivalent to approximately RMB0.0557 per share (2021: HK\$0.0528, equivalent to approximately RMB0.0432 per share)	**390,929**	303,240

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	
	2022	2021
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.0528 per share (2021: HK\$0.0327).	**317,186**	191,131

7. EARNINGS PER SHARE

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

	2022	2021
	RMB'000	*RMB'000*
Earnings attributable to owners of the Company		
Earnings for the purpose of basic/diluted earnings per share	**1,117,206**	866,612

	2022	2021
	'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 2022 and 2021. Therefore, there was no difference between basic and diluted earnings per share.

8. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**438,613**	41,297
Less: loss allowance *(Note (b))*	**(3,170)**	(4,212)
	435,443	37,085
Bills receivable	**232,496**	700,468
Less: loss allowance *(Note (b))*	**(11,050)**	(11,050)
	221,446	689,418
Total trade and bills receivables, net of loss allowance	**656,889**	726,503

As at 31 December 2022, the bills receivable that the Group has endorsed or discounted and de-recognized but not yet matured amounted to RMB319,295,000 (2021: RMB345,869,000).

(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	
	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**591,589**	269,859
More than 3 months but within 6 months	**47,758**	346,946
More than 6 months but within 12 months	**11,196**	103,804
Over 12 months	**6,346**	5,894
	656,889	726,503

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

	2022	2021
	RMB'000	*RMB'000*
Balance at 1 January	**15,262**	14,097
(Reversal of)/impairment recognized	**(212)**	1,165
Write-off of uncollectible receivables	**(830)**	–
Balance at 31 December	**14,220**	15,262

9. TRADE AND BILLS PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade payables	**1,411,139**	1,437,274
Bills payable	**1,088,013**	975,223
Trade and bills payables	**2,499,152**	2,412,497

As at 31 December 2022, the aging analysis of trade and bills payables presented based on the invoice date is as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**1,848,826**	1,785,099
More than 3 months but within 6 months	**493,729**	482,616
More than 6 months but within 12 months	**117,020**	115,935
Over 12 months	**39,577**	28,847
	2,499,152	2,412,497

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$0.0623 (equivalent to approximately RMB0.0557) per share for the year ended 31 December 2022 (2021: HK$0.0528 (equivalent to approximately RMB0.0432) per share) to the shareholders, estimated to be HK$437,623,592 (equivalent to approximately RMB390,929,155) out of the contributed surplus of the Company. It is expected that the relevant dividend will be paid by 25 July 2023 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 2022.

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 2022 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 2022.

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

CORPORATE GOVERNANCE STANDARDS

Recognizing the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, the Company 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 of the Stock Exchange.

The Corporate Governance Code contained in Appendix 14 to the Listing Rules in effect for the year ended 31 December 2022 includes the mandatory disclosure requirements for disclosure in the corporate governance report for listed companies and sets out the principles of good corporate governance, the code provisions on a "comply or explain" basis and certain recommended best practices. For the year ended 31 December 2022 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 C.5.7 and F.2.2 as described below.

The code provision C.5.7 stipulates that, if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting. During the year, the Board approved a connected transaction and a continuing connected transaction by circulation of written resolutions in lieu of physical board meetings, for which a substantial shareholder of the Company was regarded as having material interests therein. As the then Directors of the Company were living and working far apart, adoption of written resolutions in lieu of physical board meetings allowed the Board to make a decision relatively quicker in response to the rapid change in the fertilizer markets. Before formal execution of the written resolutions, the Directors (including the independent non-executive Directors) had discussed the matters via emails and made amendments to the terms of the transactions as appropriate.

The code provision F.2.2 provides that, among others, the chairman of the board should attend the annual general meeting of the listed issuer. In the annual general meeting of the Company held on 17 June 2022 (the "2022 AGM"), Mr. J. Erik Fyrwald, the then Chairman of the Board, did not chair the meeting due to other essential business engagements. In order to ensure smooth holding of the 2022 AGM, Mr. Fyrwald authorized and the Directors attending the meeting elected Mr. Harry Yang, the then 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 2022 AGM and were available to answer relevant questions, which was in compliance with other part of code provision F.2.2.

Save as disclosed above, please refer to the "Corporate Governance Report" contained in the Company's 2022 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. Ma Yue (Chief Executive Officer), Mr. Wang Jun and Ms. Wang Ling; the non-executive director of the Company is Mr. Liu Hongsheng (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
Ma Yue
Executive Director and Chief Executive Officer

Hong Kong, 20 March 2023