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

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

- The Group's revenue was RMB13,128 million for the current period
- Profit attributable to owners of the Company for the current period was RMB1,004 million, increased by 0.6% year on year
- Basic earnings per share for the current period was RMB0.1429, increased by 0.6% year on year
- The Board did not recommend the declaration of interim dividend for the six months ended 30 June 2023

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I hereby report to all shareholders the interim results of the Group for the six months ended 30 June 2023.

In the first half of 2023, with the easing of global supply chain tension and the gradual release of fertilizer production capacity, the market for fertilizer products was at a stage of supply exceeding demand, with strong wait-and-see sentiment prevailing in the market, and the prices of fertilizer products continued to decline. In the face of severe market challenges, the Group unswervingly promoted the "Bio+" strategic transformation, continued to expand diversified channels, focused on differentiated products through research and development and innovation, and made breakthroughs under the guidance of Sinochem and Syngenta Group, and achieved better results in various aspects. In the first half of 2023, the Group achieved a net profit of RMB1,071 million, representing a year-on-year increase of 6.25%, while profit attributable to shareholders of the Company amounted to RMB1,004 million, representing a year-on-year increase of 0.6%, demonstrating its strength in maintaining profitability. The Group's various operating indicators were in good shape, with a sound asset and liability structure and strong risk resilience.

In the first half of 2023, the Group continued to fulfill its role as a state-owned enterprise, firmly implemented the requirements of the State to assure supply and stabilize prices, continuously consolidated the cooperative relationship with strategic suppliers, strengthened the acquisition of high-quality resources, maintained as the "price depression" of global potash, and reduced the cost of fertilizers for use by farmers. The Group also gave full play to the advantages of the supply chain, strengthened the in-depth development of downstream channels, and assured the supply of goods reach the industrial and agricultural end-users directly. Capitalizing on the advantages of multi-type supply guarantee and innovative services, we increased the market development and promotion of differentiated products such as Fenghexiang Agricultural Potash and Meilinmei Series Phosphorus Fertilizer, and utilized the advantages of Fertex online platform to strengthen the ability of meeting customers' demand, further expanding the customer base and increasing the market share. We will improve the green planting service model, continue to enhance digitalization and technological content of our products, and through scientific proportioning, differentiated formulations and process simplification, help growers reduce production costs while reducing carbon emissions, and improve production efficiency and economic benefits.

Under the implementation and promotion of the "Bio+" strategy, the Group's differentiated compound fertilizers and special fertilizers business has raised product quality and achieved rapid growth. Focusing on the core crops and the fundamentals of crop cultivation and soil health, the Group has promoted the iterative upgrading of its products through the highly efficient synergy of research, production and marketing to further optimize its product structure, and the market competitiveness of its core products, such as high-end economic crop products and cost-effective grain crop products, bio-stimulants and microbial technology products, has significantly increased. Syngenta's internal synergies were fully utilized to provide farmers with professional solutions through the promotion of fertilizer and drug packages and full tracking services, expanding market dimensions and enhancing customer loyalty.

The production enterprises under the Group practiced the concept of green development, kept integrity and innovation, strengthened the construction of FORUS system, and strictly managed internal control to assure the safe, stable and sustaining operation; at the same time, they overcame the unfavorable factors such as declining product prices, gave full play to the advantages of resources, reduced cost and enhanced efficiency, and maintained a reasonable level of profitability. Sinochem Fuling Chongqing Chemical Industry Co., Ltd. ("Sinochem Fuling") has become a new driving force for the Group's performance growth following the smooth commissioning of production of its various plants.

The R&D team has been expanding steadily with increased investment and the R&D capability has been further strengthened. Relying on the national-grade R&D platform of "National Engineering Research Center for Cultivated Land Protection", which was established in cooperation with the Chinese Academy of Agricultural Sciences and other scientific research institutes, the Group has carried out technological research and integrated development in three major directions of "biotechnology – soil health – nutrient efficiency", continuously increasing the utilization efficiency of fertilizers and improving soil health. Breakthroughs were made in its biologic and "Bio+" fertilizer products, and a total of 756,000 tons of new research products were commercialized in the first half of 2023, and the synergy between research, production and marketing was further strengthened.

For the second half of 2023, the more obvious structural conflicts in the global economy, continuation of the monetary policy tightening cycle and other developments will pose huge challenges to economic recovery, China's fertilizer industry is still facing a grim situation. With the gradual liberalization of the domestic fertilizer market, regional characteristics is fading gradually, market competition may further intensify. Under the policy guidance of the No.1 Policy Document issued by the Central Government, China's fertilizer industry is developing in the direction of high quality, diversification and service-oriented, and the promotion and application of agricultural input reduction and efficiency technology and water-fertilizer integration will promote the overall change of the fertilizer industry, which will also bring about significant opportunities and development for the Group's strategic transformation.

In the second half of 2023, the Group will continue to put strategic transformation and upgrading as its core, and unswervingly promote the strategy of "Bio+", so as to improve the utilization rate of fertilizers through research and development and innovation, carbon reduction and emission reduction and promote soil health development. As for the potash and phosphate business, the Group will continue to consolidate its market share, further strengthen its strategic procurement ability, explore to expanding high-quality sourcing channels, consolidate the core customer system in agriculture and industry, and solidly support the Group's strategic transformation; the production enterprises will make full use of the advantages of mineral resources to extend and strengthen the development of the whole industry chain from resources, production to circulation; at the same time, it will give full play to the advantages of Syngenta Group's platform and strengthen the synergy of research, production and sales, providing scientific and technological support to its rapid business development for the Group's transformation into the "leader of bio-fertilizer and soil health innovation".

Last but not 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. The management and staff of the Company will bear in mind the original mission of working for the welfare of farmers in China and the transformation of the Chinese agriculture industry, and we will work ever harder to continuously make contribution to the development of the Group.

LIU Hongsheng
Chairman of the Board

Hong Kong, 28 August 2023

MANAGEMENT REVIEW AND PROSPECT

BUSINESS ENVIRONMENT

In the first half of 2023, the pandemic prevention and control measures in China were relaxed, but the overall economic recovery fell short of expectation affected by the persistence of geopolitical conflicts and increased tightening of global monetary policies. The Chinese Government comprehensively carries out the spirit of the 20th National Congress, clearly adheres to the overall work keynote of seeking progress while maintaining stability, completely, accurately and comprehensively implements the new development concept, accelerates the construction of a new development pattern, continues to boost market confidence, assist in high-quality development of the economy through precise and powerful macro-control, focus on rural revitalization, and facilitate the modernization of agriculture and rural areas through science and technology and technological innovations, accelerating the leap from a large agricultural country to a strong agricultural country.

In the first half of 2023, the fertilizer market experienced severe challenges, with sluggish end demand leading to a continued downward trend in fertilizer product prices and further intensified market competition. China continued to strengthen the macro-control of the fertilizer industry, promote the reduction of chemical fertilizers and increase their efficiency, carry out in-depth soil testing and fertilizer application, continue to optimize the structure of fertilizer inputs, and guide enterprises and social service organizations to launch scientific fertilizer application technical services to safeguard soil health and secure the national safety of food production. The fertilizer industry is now moving towards high-quality and diversified development, and technological innovation and agrochemical service level has been further strengthened.

In the face of severe market conditions, in order to consolidate the Group's leading position in the industry, under the leadership of the Board of Directors, we continued to reinforce the promotion on the strategic transformation of "Bio+", make full effort to promote the modern agricultural technology service platform, strengthen product research and development, comprehensively enhance the productivity of the agricultural industry, assure the stable supply and pricing of fertilizers, and pick up in pace of rural revitalization as well as modernization of the agricultural industry. Through the efficient synergy of research, production and marketing, we will promote the iterative upgrading of products, continuously improve profitability, give full play to the platform advantages of Syngenta Group, and create further value of channels through synergy.

FINANCIAL PERFORMANCE

For the six months ended 30 June 2023, the Group achieved a revenue of RMB13,128 million, and a profit attributable to shareholders of the Company of RMB1,004 million, a slight increase over the corresponding period of the previous year.

RESEARCH AND DEVELOPMENT

In the first half of 2023, the Group continued to promote the construction of research and development capability by hiring experts from the CAAS, CAU and CAS as chief scientists to enhance the research capability in plant physiology, molecular biology and synthetic biology, and to accelerate the construction of research and development system for nutrient efficiency, soil health and integration of biological formulations. With the implementation of research, production and marketing integration mechanism, we promoted the industrialization of three "Bio+" products including the biological agent "Youliangmei", biological compound fertilizer "Kedefeng" and third generations of Meilinmei for commercialization. The total volume of such R&D results transformation was 753,900 tons.

In the future, the Group will continue to utilize its in-depth research and development capability, focus on the research and development of biological agents, promote "Bio+" strategy, develop and promote new crop nutrition products through the integration of research, production and marketing, and enhance the utilization rate of crop nutrition. Meanwhile, the Group contributed to the improvement of soil health by continuing to deploy resources, laying out soil health, promoting key core technology research and practicing arable land protection policy.

PRODUCTION AND MANUFACTURING

In the first half of 2023, in the face of the complex and everchanging economic environment, the major subsidiaries of the Company insisted on optimization and enhancement, costs reduction and efficiency enhancement, adjusted production and sales strategy in a timely manner, and utilized their resource advantages to achieve full production and sales in a stable and long-term manner, and resulted in maintaining profitability.

In the first half of 2023, in the face of unfavorable factors such as a significant decline in product prices, Sinochem Yunlong, a subsidiary of the Company, tightened internal control, continued process innovation, stabilized production and promoted sales, costs reduction and efficiency enhancement, and achieved a production of 189,300 tons of MCP/DCP and a net profit of RMB203.02 million. The Group implements high-quality development, practices the core value concept of "Supremacy of Science", carries out the "Bio+" development strategy of the Group, develops advanced and applicable green and low-carbon process technologies relying on its own advantage of scarce phosphorus resources, focuses on the high-efficiency utilization of phosphorus and fluorine, comprehensively puts together the five major development concepts of innovation, coordination, green, openness and sharing, and has built up a green ecological industrial system for the development of a circular economy with focus on comprehensive utilization of phosphogypsum, efficient recovery of fluorine and graded utilization of phosphorus, as well as technological upgrade and reconstruction on sulphric acid, flotation and other installations, and continuing to drive up the level of automation.

Sinochem Changshan, a subsidiary of the Company, adhered to the core of technological reform and innovation and energy consumption optimization, and pursued the excellent operation of production units for the purpose of effective cost control, with its main energy consumption lower than that of the same period, and the carbon reduction and emission reduction work also made progress; it maintained the regional share of sales of the main products, and adjusted the product specifications in a timely manner to increase revenue; in the first half of 2023, the company responded effectively to the impact of the market downturn, maintained a stable and high production capacity and continued to make profits, producing 103,500 tons of synthetic ammonia and realizing a net profit of RMB63.57 million.

Sinochem Fuling, a subsidiary of the Company, faced the pressure of significant downward in market price of various products at the initial stage of full-scale production. Taking the implementation of the FORUS system as the starting point, it comprehensively enhanced the level of safety management and made continuous improvement in eliminating defects to enhance production capacity, and currently all the installations have completed the 72 hours of performance appraisal, and the capacity utilization rate has exceeded the expected level; the product quality has gradually become stable through strict control and optimization of technology; and at the same time, in accordance with the principle of "all costs can be reduced", the company paid close attention to improving quality and efficiency, and in the first half of 2023, the company produced 385,800 tons of salt fertilizer and finished acid products, achieving a net profit of RMB23.68 million.

Potash Operations:

In the first half of 2023, the domestic supply and demand relationship was relatively relaxed, and the work of maintaining supply and stabilizing prices achieved good results. The Group continued to consolidate the strategic cooperation with international suppliers. As a member of China's potash import negotiation team, the Group has reached consensus with international potash supplier Canadian Potash Exporters (Canpotex) on the price of the annual potash import contract for 2023, to maintain its position to secure global "price depression" for potash, and obtained a wide range of available products to meet the differentiated downstream demand. The Group has entered into a strategic cooperation agreement with Qinghai Salt Lake Industry Co., Ltd ("Qinghai Salt Lake") to strengthen the joint supply guarantee capacity among enterprises and effectively guaranteed the transportation and supply of goods during the critical period of spring plowing. The Group obtimized and upgraded its core customer system, gradually established a marketing system covering key customers in the whole industry, and enhanced market influence. Relying on a variety of agricultural potash products, the Group continued to improve the construction of agricultural potash channels with "Fenghexiang" as the core, constructed a product matrix in line with the diversified demand in the agricultural market, accelerated the transformation of digital channels, carried out precise marketing activities, raised the level of innovation and research and development of differentiated and "Bio+" potash, which have been put into the market in some regions and gained good reputation, and the brand value has appreciated further.

Phosphate Fertilizer Operations:

In the first half of 2023, the Group's strategic sourcing advantages were highlighted by the timely import of domestic scarce high-grade phosphate ore, sulfur and other resources to meet domestic production demand, and the strategic partnership was continuously consolidated through initiatives such as mine-fertilizer linkage and high-frequency mutual visits. The Group carried out value scheduling of phosphate fertilizer operations, provided comprehensive solutions to accommodate upstream and downstream demand, achieved stable profit contribution and customer value enhancement, and further consolidated our position as a leading distributor of phosphate fertilizer in the domestic market. Bio-phosphorus fertilizer "Meilinmei" series products have been upgraded to the third generation, which further enhanced the utilization rate of phosphate fertilizers, safeguarded the health of the soil, and helped farmers increase yield while conserving phosphate resources. The phosphate business achieved major breakthroughs with seven of the top ten customers in the new energy industry, and expanded its presence in drip irrigation, daily chemical processing, food additives and other channels.

Compound Fertilizer Operations:

In the first half of 2023, the compound fertilizer business maintained a high quality development. Guided by the "Bio+" strategy, the Group accelerated the development and operation of nutrient-efficient, bio-fertilizers and soil health products, effectively implemented the national strategy of arable land quality enhancement, and accelerated the optimization of the product structure of compound fertilizers, with the sales volume of differentiated products reaching 960,000 tons, accounting for 79% of the total differentiated products. At the same time, the Company implemented a product management model driven by market capacity building, continuously improved its technical services and marketing promotion standards, and accelerated the growth scale of biological core products. Focusing on the solution of basic planting problems, improvement of product effectiveness, and aiming at reducing consumption and raising efficiency, yield and quality, the Group increased the transformation of self-research results and introduction of external technology, and through the comprehensive application of leading technologies such as bio-starting technology, microbial blending technology and organic and inorganic coupling, the Group launched the high-end grain crop big single product "Kedefeng", and researched and developed synergistic new product "Lanlin" with Syngenta Group. "Lanlin" and "Yaxin" formed a matrix of high-end economic crop and food crop products.

Special Fertilizer Operations:

In the first half of 2023, special fertilizers achieved an increase of 53% compared with the same period of the previous year. Under the guidance of the Company's "Bio+" strategy, the special fertilizer operation focused on the R&D and application of high-end biological fertilizer products, and the promotion area continued to expand, of which the nitrogen synergistic bio-stimulant products increased by 50% year-on-year, which helped crops to resist adversity and increase yields and at the same time reduced the application of ordinary nitrogen fertilizer, and promoted energy saving, emission reduction and efficiency enhancement of agricultural cultivation. Linyi Special Fertilizer Production Base continued to enhance operational efficiency, improve production processes, and put into use the product code traceability system, which effectively enhanced the supply capacity of internal corporate production demand. The water-fertilizer integration business based on remote communication and remote control technology achieved a growth of 25%, and the development potential of such special projects continued to increase.

Collaboration with Syngenta Group

In the first half of 2023, adhering to the strategy of promoting cross-business synergistic development with Syngenta Group China, the Group actively carried out comprehensive synergistic development with various business units of Syngenta Group China to promote the high quality and rapid development of plant protection and seed business. Syngenta Group China achieved sales revenue of RMB21 million from the research and development of customized products for the Group, and with the launch of the customized seed coating agent, Maiyouban, the space and opportunities for market synergy have been further expanded; the seed synergy business was carried out in a comprehensive manner, and the synergy between the Group and the seed business achieved rapid growth in high quality in crops such as rice, maize, vegetables and wheat.

TECHNICAL SERVICES AND DIGITAL INNOVATION

In the first half of 2023, 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 technical solutions for crop plantation. 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 with private domain labeling deposition has accelerated user attraction. A total of 13,980 "Nong Xiao Hui" online retail shops were formed with overall coverage of agricultural counties of over 80%.

The Group deeply recognizes the significance of modern agricultural transformation and development in China, and actively implements the spirit of the Central Economic Work Conference to develop a bio-economy to solve soil health issues. The Group has accelerated its R&D, pilot demonstration and promotion of microbial fertilizer products by leveraging the research and development capability in the core technology of microbial agents of the participating enterprises. It vigorously carried out research in green agricultural planting techniques and actively promoted technological achievements integrating resources on bio-strategy and soil health strategy such as precision fertilizer application, fertigation and soil improvement, microbial compounding, fungus and fertilizer coupling and biological activation. More than 400 technical service personnel work on the field all year round and conduct activities such as technical training, soil testing and formula-based fertilization as well as field guidance to safeguard farmers' planting and production, to achieve 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 Company 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 the first half of 2023, the Group has undergone organisational restructuring. For safeguarding the rationality of the design and operational effectiveness of the internal control system, on the basis of continuing to carry out risk identification work, monitoring significant risks and comprehensively investigate operational risk events and focus on the establishment of a mechanism with long-term effect, the Company has launched a large-scale review and revision of the system of rules and regulations and the system of rights and responsibilities to ensure the smooth and orderly operation and management, and to enhance the standard of operation and management as well as the ability of risk prevention. The Group also actively utilized various means to increase the promotion of risk management, raise risk awareness, promote managers at all levels to firmly establish the scientific concept of operation and safety, and actively create a benign risk and internal control atmosphere of "sound operation and healthy development". The Group has continued to embed risk management and compliance management requirements into its business processes, strengthened informationization, reinforced the main responsibility of risk management in business units, explored differentiated risk internal control management mechanisms for different business units and focus on hazard detection and reviewing under the "Bio+" strategic transformation of the Company.

In the first half of 2023, 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, the Group improved yield and quality, and thus increased farmers' income.

In response to the call 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. With safe production assured, the Group made every effort to fully utilize our internal production capacity such that our products were available 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 bring more products to the domestic market to ensure product supply in the market. We have strengthened the optimization of logistics and promoted offline services such as scientific fertilization application to enhance our end-user service capability.

In the first half of 2023, the Group continued to provide crop technology solutions to farmers and held more than 40,000 comprehensive technical service activities in total. The Group arranged more than 2,000 fields for trial and demonstration purpose for its "Double Reduction and Increasing Efficiency" initiative, and conducted more than 5,000 planting technology training sessions and more than 2,000 demonstration sessions through a combination of online and offline channels, and distributed more than 60,000 copies of technical solutions online and offline, directly benefiting more than 6 million farmers.

In order to solve the issues of less arable land, the Group implements the strategic concept of "storing food in the ground" and protects the bottom line of food safety by taken the lead in launching the Houpu Soil Health+ service platform, with the vision of "making every inch of arable land a fertile soil for harvest" and the mission of "stimulating the potential of soil health".

The objective of "Houpu Soil Health+" is to promote sustainability and commercialization by making use of digitalization and innovation as drivers to create an open innovation platform for soil health supported by a soil health indicator system, a soil health product and technology system, diversified service channels and an O2O soil health digital hospital, which together form an open soil health ecosystem to provide our customers with diagnostic soil health assessments, soil health enhancement services and sustainable soil health management services. Our pilot Houpu Soil Health+ offline service shops were set up nationwide and successful stories were reported from the agricultural market and governmental sector. The Houpu soil health strategy aims to solve the problems of diminishing arable land, promote sustainability and food safety, lead the quality development of the agricultural industry, and help with the overall attainment of rural revitalization.

OUTLOOK

In the second half of 2023, the global economic development and recovery will be increasingly uncertain due to geopolitical situations, climate change and tightened monetary policy and other multiple factors, the economy in China will continue to show strong resilience, economic operation is expected to pick up as a whole, with the introduction of the implementation of the previous policy measures already in force, market demand will gradually recover, production supply will continue to increase, prices and employment will remain stable in general, and high-quality development achieved on a steady note.

The Chinese government makes full effort to stabilize agricultural fundamentals. 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 continue to push forward the “Bio+” strategic transformation, promote the modern agricultural technology service platform, strengthen product research and development, comprehensively enhance the productivity of agriculture, ensure the stable supply and price of fertilizer products, promote the development of rural revitalization and modernization of agriculture, and strive to promote the development of Chinese agriculture in the direction of high quality.

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. Focusing on green, low-carbon, sustainable products and technology solutions to increase R&D efforts, the Group will seize the development opportunities in the field of biological agents, soil health and other areas, consolidating “Bio +” strategy, to achieve high-quality development, and continue to create value for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2023, sales volume of the Group was 3.97 million tons, down by 15.86% over the six months ended 30 June 2022. Revenue of the Company was RMB13,128 million, down by 14.23% over the six months ended 30 June 2022. For the six months ended 30 June 2023, gross profit of the Group was RMB1,550 million, up by 3.33% over the six months ended 30 June 2022. Profit attributable to owners of the Company was RMB1,004 million, increased by 0.60% over the six months ended 30 June 2022.

I. OPERATION SCALE

(I) Sales volume

For the six months ended 30 June 2023, the Group recorded sales volume of 3.97 million tons, down by 15.71% over the six months ended 30 June 2022. For the first half of 2023, impacted by the slackening supply and demand in product market, price of fertilizer products continued to decline and market competition further intensified. The Group continued to implement the policy of fertilizer application reduction and efficiency enhancement, significantly reduced the low-margin nitrogen fertilizer and sulfur businesses. By promoting "Biofertilizer+" and launching the "Houpu" soil health strategy, adhering to the upgrading of technology and products towards demand-oriented crops, optimising the product structure with focus on environmentally friendly items and efficiency of fertilizers, the Group created a pipeline of differentiated products and enhanced its market competitiveness.

By integrating domestic and international biotechnologies, the Group has successfully launched a series of bio-fertilizer flagship products including Lanlin, Yaxin, Meilinmei, Youcuilu, Weigeshi and Huanwo. As of the six months ended 30 June 2023, the total sales volume of differentiated products was 1.15 million tons, up by 6% over the six months ended 30 June 2022. Among which, sales volume of differentiated compound fertilizer was 0.96 million tons, up by 7% over the corresponding period in 2022; sales volume of special fertilizer was 58,300 tons, up by 53% over the corresponding period in 2022.

(II) Revenue

For the six months ended 30 June 2023, the Group recorded revenue of RMB13,128 million, down by RMB2,178 million or 14.23% over the six months ended 30 June 2022, mainly due to the Group actively adjusted the product mix and reduced the low-margin products.

Table 1:

	For the six months ended 30 June			
	2023		2022	
	Revenue *RMB'000*	**As percentage of total revenue**	Revenue *RMB'000*	As percentage of total revenue
Compound fertilizers	**4,528,876**	**34.50%**	4,646,628	30.36%
Nitrogen fertilizers	**122,950**	**0.94%**	2,138,929	13.97%
Phosphate fertilizers	**3,475,313**	**26.47%**	3,962,656	25.89%
Potash fertilizers	**2,872,389**	**21.88%**	2,342,608	15.30%
Monocalcium/Dicalcium phosphate (MCP/DCP)	**674,395**	**5.14%**	786,989	5.14%
Special fertilizers	**359,881**	**2.74%**	258,390	1.69
Others	**1,094,123**	**8.33%**	1,170,249	7.65%
Total	**13,127,927**	**100.00%**	15,306,449	100.00%

(III) Revenue and results by segment

The Group's business divisions are set up on the basis of supporting the "Bio+" strategy and are divided into three segments, namely Basic Business Segment, Growth Business Segment and Production Segment. The Basic Business Segment is responsible for procurement and sales of potash fertilizer, phosphate fertilizer and sulphur; the Growth Business Segment is responsible for production, procurement and sales of Bio-compound fertilizers, special fertilizers, crop protection and seeds; and the 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 six months ended 30 June 2023 and the six months ended 30 June 2022:

Table 2:

	For the six months ended 30 June 2023				
	Basic Business *RMB'000*	**Growth Business** *RMB'000*	**Production** *RMB'000*	**Elimination** *RMB'000*	**Total** *RMB'000*
Revenue					
External revenue	**6,467,950**	**5,278,397**	**1,381,580**		**13,127,927**
Internal revenue	**619,859**	**1,762,097**	**1,346,922**	**(3,728,878)**	**–**
Segment revenue	**7,087,809**	**7,040,494**	**2,728,502**	**(3,728,878)**	**13,127,927**
Segment profit	**534,689**	**314,470**	**356,036**	**–**	**1,205,195**

	For the six months ended 30 June 2022				
	Basic Business *RMB'000*	Growth Business *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue					
External revenue	8,586,685	5,426,497	1,293,267	–	15,306,449
Internal revenue	1,444,091	1,921,215	439,162	(3,804,468)	–
Segment revenue	10,030,776	7,347,712	1,732,429	(3,804,468)	15,306,449
Segment profit	570,078	226,841	330,577	–	1,127,496

Certain comparative amounts in segment information have been reclassified and restated to conform to current period presentation.

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 bank and other borrowings. This is the measure reported to the Group's chief operating decision-maker for the purposes of resource allocation and segment performance assessment.

For the six months ended 30 June 2023, the external revenue of the Group decreased by RMB2,179 million or 14.23% over the six months ended 30 June 2022, mainly resulted from the dual impact of sluggish end demand and downward market prices.

For the six months ended 30 June 2023, the segment profit of the Group was RMB1,205 million. In which, the strategic procurement in the Basic Business Segment had remarkable results, the advantages of multi-product mix helped realize the market premium of its branding amidst the downward price trend, achieving a segment profit of RMB535 million in the first half of 2023; the Growth Business Segment, guided by the "Bio+" strategy and adhered to the synergistic development, succeeded in accelerating the development and operation of nutrient-efficient bio-fertilizers and soil health products, as well as the optimization of compound fertilizers' product mix. The Growth Business Segment achieved a segment profit of RMB314 million in the first half of 2023, representing an increase of 38.63% as compared with the corresponding period of the previous year. The Production Segment made full use of its mineral resource advantages and strengthened the coordination of production and sales, achieving a segment profit of RMB356 million in the first half of 2023.

II. PROFIT

(I) Share of results of joint ventures and associates

Share of results of joint ventures: For the six months ended 30 June 2023, the Group's share of results of joint ventures was a profit of RMB115 million, representing an increase of RMB73 million or 57.53% over the six months ended 30 June 2022, which was mainly attributed to the share of results of Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. amounted to RMB113 million, representing an increase of RMB65 million over the corresponding period last year; and the share of results of Gansu Wengfu Chemical Co., Ltd. was a profit of RMB2 million, representing a decrease of RMB23 million over the corresponding period last year.

Share of results of associates: For the six months ended 30 June 2023, the Group's share of results of associates was a loss of RMB14 million, representing a decrease of RMB27 million as compared with a profit of the share of results of associates of RMB13 million for the six months ended 30 June 2022, which was mainly attributed to the share of results of Yangmei Pingyuan Chemical Co., Ltd. amounted to a loss of RMB33 million, representing a decrease of RMB36 million over the corresponding period last year.

(II) Income tax

For the six months ended 30 June 2023, the Group's income tax expense payable was RMB84 million, of which current income tax expense was RMB83 million and deferred income tax expense was RMB1 million. In the first half of 2023, Sinochem Fuling, a subsidiary of the Company, income tax expense payable increased by 86.67% as compared with the corresponding period of the previous year as a result of tax payable of RMB38 million arising from the disposal of assets.

The subsidiaries of the Group are mainly registered in Mainland China, Macao and Hong Kong, 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 six months ended 30 June 2023, profit attributable to owners of the Company was RMB1,004 million, remained almost flat as compared with RMB998 million for the six months ended 30 June 2022. In the first half of the year, the Group overcame the adverse impacts of downward market conditions, sluggish end demand and increased import costs due to exchange rate depreciation, and firmly promoted the Bio+ strategy and implemented initiatives such as quality improvement and efficiency enhancement, and continued to optimize its product mix driven by scientific and technological innovation and transformation towards product differentiation. Through targeted research and accurate judgement of the industry and market, the Company increased production volume and raised efficiency, resisted the impact of the market cycle and maintained a reasonable level of profitability.

For the six months ended 30 June 2023, the net profit margin of the Group, calculated by dividing profit attributable to owners of the Company by revenue, was 7.65%, representing an increase of 1.13 percentage points over the same period of last year.

III. EXPENSES

For the six months ended 30 June 2023, the three categories of expenses amounted to RMB639 million, up by RMB56 million or 9.61% compared with RMB583 million for the six months ended 30 June 2022, of which:

Selling and distribution expenses: For the six months ended 30 June 2023, selling and distribution expenses amounted to RMB286 million, down by RMB32 million or 10.06% compared with RMB318 million for the six months ended 30 June 2022. This was mainly attributable to the decrease in selling expenses resulted from implementation of the Group on quality improvement and efficiency enhancement, adhering to the principle of all costs can be reduced, and lean supply chain management.

Administrative expenses: For the six months ended 30 June 2023, administrative expenses amounted to RMB317 million, up by RMB56 million or 21.46% compared with RMB261 million for the six months ended 30 June 2022. This was mainly attributable to the increase in the provision for production safety costs.

Finance costs: For the six months ended 30 June 2023, finance costs amounted to RMB36 million, up by RMB32 million compared with RMB4 million for the six months ended 30 June 2022. This was mainly attributable to the cessation of interest capitalization after the commencement of production at Sinochem Fuling.

IV. OTHER INCOME AND GAINS

This mainly consisted of interest income, sales of scrapped material and raw materials, government grants, and assets disposal income. For the six months ended 30 June 2023, the Group's other income and gains amounted to RMB247 million, up by RMB184 million compared with RMB63 million for the six months ended 30 June 2022, mainly due to Qilixing Railway, a subsidiary of Sinochem Fuling, completed the disposal of the railway special line of Public and Water Intermodal Transportation Company and recognized a gain of RMB148 million from asset disposal.

V. OTHER EXPENSES AND LOSSES

This mainly consisted of impairment loss of assets and write-down of inventories. For the six months ended 30 June 2023, the Group's other expenses and losses amounted to RMB104 million, up by RMB92 million compared with RMB12 million for the six months ended 30 June 2022. This was mainly attributed to the result of the impact of the continued downward trend in market prices, an inventory impairment loss of RMB79 million was recorded.

VI. INVENTORIES

As at 30 June 2023, the inventories balance of the Group amounted to RMB4,326 million, down by RMB1,347 million or 23.74% compared with RMB5,673 million as at 31 December 2022. The Group reduced its inventory size by 20% compared to the beginning of the year in order to cope with the drastic fluctuations in commodity prices, reduce operational risks and control risk exposure. Inventory turnover days increased by 26 days to 85 days as compared with the same period of the previous year.

Note: Calculated on the basis of average inventory balance as at the end of the reporting period divided by cost of goods sold, and multiplied by 180 days.

VII. TRADE AND BILLS RECEIVABLES

As at 30 June 2023, the balance of the Group's trade and bills receivables amounted to RMB508 million, decreased by RMB149 million or 22.68% compared with RMB657 million as at 31 December 2022, which was mainly due to the decrease in the Group's revenue over the corresponding period of last year. The Group actively prevented credit risk, and the turnover days of trade and bills receivables in the first half of 2023 was 8 days, 1 days faster than the turnover days in the first half of 2022.

VIII. LOANS TO A RELATED PARTY

As at 30 June 2023, the Group's loans to a related party amounted to RMB800 million, all of which were for the provision of funds to Sinochem Agriculture.

IX. INTERESTS IN JOINT VENTURES AND ASSOICATES

As at 30 June 2023, the balance of the Group's interests in joint ventures and associates amounted to RMB1,435 million, up by RMB41 million or 2.94% compared with RMB1,394 million as at 31 December 2022, mainly due to the increase in the profit of joint ventures. In the first half of 2023, accounted under the equity method, the Group's share of investment gains of joint ventures and associates amounted to a total of RMB101 million. The dividends received from Three Circles-Sinochem during the period were RMB60 million.

X. INVESTMENTS IN OTHER EQUITY INSTRUMENTS

As at 30 June 2023, the Group's balance of investments in other equity instruments amounted to RMB168 million, representing a decrease of RMB21 million from RMB189 million as at 31 December 2022, which was mainly attributable to the decrease in fair value of the equity of Guizhou Kailin Holdings (Group) Co., Ltd. held by the Group.

XI. INTEREST-BEARING LIABILITIES

As at 30 June 2023, the Group's total interest-bearing liabilities amounted to RMB1,871 million, representing an increase of RMB53 million or 2.92% from RMB1,818 million as at 31 December 2022, which was mainly due to the additional bank financing during the period. For details of the interest-bearing liabilities. please refer to the section headed "XV. LIQUIDITY AND FINANCIAL RESOURCES".

XII. TRADE AND BILL PAYABLES

As at 30 June 2022, the balance of the Group's trade and bills payables amounted to RMB3,918 million, increased by RMB1,419 million or 56.78% compared with RMB2,499 million as at 31 December 2022, which was mainly due to an increase in the trade payables balance due to the Group's active extension of credit period.

XIII. OTHER PAYABLES AND PROVISION

As at 30 June 2023, the balance of the Group's other payables and provision amounted to RMB1,388 million, decreased by RMB67 million or 4.60% as compared with RMB1,455 million as at 31 December 2022, which was mainly attributed to the completion of all onerous contracts.

XIV. OTHER FINANCIAL INDICATORS

The Group uses earnings per share and return on equity (ROE) to evaluate its profitability. Current ratio and debtto-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 six months ended 30 June 2023, the Group's basic earnings per share was RMB0.1429 and return on equity (ROE) was 10.92%, which was essentially maintained at the level as compared to the corresponding period.

Table 3:

	For the six months ended 30 June	
	2023	2022
Profitability		
Earning per share (RMB) *(Note 1)*	**0.1429**	0.1421
ROE *(Note 2)*	**10.24%**	10.99%

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

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

As at 30 June 2023, the Group's current ratio was 1.5, and its debt-to-equity ratio was 17.99%, which further strengthened the repayment capacity of the Group. The Group enjoyed relatively high banking facilities and smooth financing channels, and a diversification of funding modalities.

Table 4:

	As at 30 June 2023	As at 31 December 2022
Solvency		
Current ratio *(Note 1)*	**1.50**	1.34
Debt-to-equity ratio *(Note 2)*	**17.99%**	18.69%

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

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

XV. LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2023, cash and cash equivalents of the Group amounted to RMB3,611 million, which was mainly denominated in RMB and US dollar.

Table 5:

	As at 30 June 2023 ***RMB'000***	As at 31 December 2022 *RMB'000*
Bank borrowings	**1,801,798**	1,741,217
Lease liabilities	**68,866**	76,613
Total	**1,870,664**	1,817,830

Table 6:

	As at 30 June 2023 *RMB'000*	As at 31 December 2022 *RMB'000*
Carrying amount of interest-bearing liabilities		
Within one year	**511,256**	469,527
More than one year	**1,359,408**	1,348,303
Total	**1,870,664**	1,817,830

Table 7:

	As at 30 June 2023 *RMB'000*	As at 31 December 2022 *RMB'000*
Fixed-rate interest-bearing liabilities	**461,664**	408,830
Floating-rate interest-bearing liabilities	**1,409,000**	1,409,000
Total	**1,870,664**	1,817,830

As at 30 June 2023, the Group had banking facilities equivalent to RMB23,894 million, including US$900 million and RMB17,309 million, respectively. The unutilized banking facilities amounted to RMB19,811 million, including US$740 million and RMB14,458 million, respectively.

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

XVI. OPERATIONAL AND FINANCIAL RISKS

The Group's major operational risks include geopolitical tensions, decelerated global economic and trade growths, monetary tightening and fluctuations in commodity prices. In the first half of 2023, affected by the continuing global economic downturn, the recovery of domestic economy fell short of expectation. In addition, market competition in the fertilizer industry has been intensified in the backdrop of fertilizer application reduction and efficiency enhancement, energy conservation and environmental protection as well as acceleration of industry integration. Under such circumstances, the Group took proactive measures to cope with the unfavorable market conditions, results performance in the current period was slightly improved compared with the same period of the previous year and corporate confidence was boosted. On the one hand, the Group continued to cultivate strategic procurement channels, give full play to its supply chain advantages, secure the acquisition of high-quality resources, strengthen synergies with member enterprises of the

Syngenta Group, and enhance its brand position and profitability. On the other hand, we continued to promote strategic transformation, integrate resources, achieve product differentiation through R&D, production and marketing synergies, optimize our product mix with focus on core crops, crop cultivation and soil health maintenance, so as to continuously improve profitability and reduce the adverse impact of operational risks on the Company's financial performance.

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. In the first half of 2023, no major environmental pollution incidents occurred at the Company.

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 30 June 2023. 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. Monitor and maintain sufficient cash and cash equivalents, increase the scale of advance receipts during the sales season to maintain a better operating cash flow; reasonably allocate long-term and short-term capital requirements and optimize the capital structure to meet the Company's working capital and repayment of maturing debts.

XVII. CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no contingent liabilities.

XVIII. CAPITAL COMMITMENT

Table 8:

	As at 30 June 2023 *RMB'000*	As at 31 December 2022 *RMB'000*
Contracted but not provided for		
– Property, plant and equipment	**542,148**	648,197

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

XIX. HUMAN RESOURCES

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

The emoluments payable to Directors are determined with reference to the responsibilities, qualifications, experience and performance of the Directors. They include performance bonus primarily based on the results of the Group and other rewards granted based on specific circumstances. The Remuneration Committee performs regular review on the emoluments of the Directors. No Director, or any of his/her associates, and executives is involved in deciding his/her own emolument.

The Group reviews its remuneration policy annually and, if necessary, engages professional consultants, to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 30 June 2023, the Group had about 4,492 full-time employees (including those employed by the Group's subsidiaries), and their remuneration is determined with reference to market rates. No individual employee shall have the right to determine his/her own remuneration.

In addition to the basic remuneration, the Group also values the importance of training and career development of employees. In the first half of 2023, the Group organized trainings of around 5,225 persontimes (any training organized by the subsidiaries has not been included in these numbers). The training courses covered areas such as industrial development, strategy implementation, leadership enhancement, marketing management, operation and management, laws and regulations, finance, human resource management, safe production and general working skills. These trainings will further improve the management skills and professional standards of the management of the Group and enhance the overall quality of the employees to cater to the Group's rapid developments, and improve the competitiveness of the Group.

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

The board of directors (the "Board") of Sinofert Holdings Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2023 – unaudited

		Six months ended 30 June	
	Note	**2023**	2022
		RMB'000	*RMB'000*
Revenue	*3*	**13,127,927**	15,306,449
Cost of sales		**(11,577,672)**	(13,805,991)
Gross profit		**1,550,255**	1,500,458
Other income and gains		**246,986**	63,008
Selling and distribution expenses		**(285,899)**	(317,964)
Administrative expenses		**(316,544)**	(261,495)
Other expenses and losses		**(103,913)**	(12,207)
Profit from operations		**1,090,885**	971,800
Share of results of associates		**(14,067)**	12,947
Share of results of joint ventures		**114,961**	72,757
Finance costs	*4(a)*	**(36,365)**	(3,871)
Profit before taxation	*4*	**1,155,414**	1,053,633
Income tax	*5*	**(83,995)**	(44,670)
Profit for the period		**1,071,419**	1,008,963
Profit for the period attributable to:			
– Owners of the Company		**1,003,919**	998,350
– Non-controlling interests		**67,500**	10,613
		1,071,419	1,008,963

	Note	Six months ended 30 June 2023 RMB'000	2022 RMB'000
Profit for the period		**1,071,419**	1,008,963
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)		**(16,102)**	12,641
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**18,342**	34,259
Other comprehensive income for the period		**2,240**	46,900
Total comprehensive income for the period		**1,073,659**	1,055,863
Total comprehensive income attributable to:			
– Owners of the Company		**1,006,159**	1,045,250
– Non-controlling interests		**67,500**	10,613
		1,073,659	1,055,863
Earnings per share	*6*		
Basic and diluted (RMB)		**0.1429**	0.1421

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 – unaudited

	Note	**At 30 June 2023** *RMB'000*	At 31 December 2022 *RMB'000*
Non-current assets			
Property, plant and equipment		**4,446,020**	4,265,891
Right-of-use assets		**626,347**	648,849
Mining rights		**305,945**	319,614
Intangible assets		**12,702**	12,827
Goodwill		**859,698**	849,538
Interests in associates		**732,245**	746,313
Interests in joint ventures		**702,609**	647,648
Other equity securities		**167,534**	189,004
Prepayments for acquisition of property, plant and equipment		**98,507**	271,827
Deferred tax assets		**104,430**	100,534
Other long-term assets		**33,467**	37,954
		8,089,504	8,089,999
Current assets			
Inventories		**4,325,969**	5,672,836
Trade and bills receivables	*8*	**508,217**	656,889
Other receivables and prepayments		**1,015,484**	2,137,029
Other current assets		**896,538**	896,538
Loans to a related party		**800,000**	–
Restricted bank deposits		**512,565**	12,336
Cash and cash equivalents		**3,611,096**	3,356,184
		11,669,869	12,731,812
Current liabilities			
Trade and bills payables	*9*	**3,917,732**	2,499,152
Contract liabilities		**1,905,105**	5,063,762
Other payables and provision		**1,387,507**	1,455,217
Bank and other borrowings		**475,908**	421,217
Lease liabilities		**35,348**	48,310
Tax liabilities		**55,684**	36,525
		7,777,284	9,524,183

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Net current assets		**3,892,585**	3,207,629
Total assets less current liabilities		**11,982,089**	11,297,628
Non-current liabilities			
Bank and other borrowings		**1,325,890**	1,320,000
Lease liabilities		**33,518**	28,303
Deferred income		**72,355**	69,177
Deferred tax liabilities		**128,612**	128,690
Other long-term liabilities		**19,812**	19,812
		1,580,187	1,565,982
NET ASSETS		**10,401,902**	9,731,646
CAPITAL AND RESERVES			
Issued equity		**5,887,384**	5,887,384
Reserves		**4,218,814**	3,616,058
Total equity attributable to owners of the Company		**10,106,198**	9,503,442
Non-controlling interests		**295,704**	228,204
TOTAL EQUITY		**10,401,902**	9,731,646

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

1 Basis of preparation

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

The unaudited condensed consolidated financial information have been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

2 Changes in accounting policies

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

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform-Pillar Two model rules*

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

None of these new and amended HKFRSs have had a material effect on how the Group's results and financial position for the current period have been prepared or presented.

3 Revenue and segment reporting

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products of service lines		
– Sales of potash fertilizer	**2,872,389**	2,342,608
– Sales of compound fertilizer	**4,528,876**	4,646,628
– Sales of phosphate fertilizer	**3,475,313**	3,962,656
– Sales of monocalcium/dicalcium phosphate ("MCP/DCP")	**674,395**	786,989
– Sales of nitrogen fertilizer	**122,950**	2,138,929
– Sales of special fertilizer	**359,881**	258,390
– Sales of other products	**1,094,123**	1,170,249
	13,127,927	15,306,449
Disaggregated by geographical location of customers		
– Mainland China	**12,611,224**	14,676,391
– Others	**516,703**	630,058
	13,127,927	15,306,449

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

(b) Segment reporting

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

- Basic business: procurement and sales of potash fertilizers, phosphate fertilizers and sulfur

- Growth business: production, procurement and sales of Bio-compound fertilizers, special fertilizers, crop protection and seeds

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

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

	For the six months ended 30 June 2023				
	Basic business	**Growth business**	**Production**	**Elimination**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
External revenue	**6,467,950**	**5,278,397**	**1,381,580**	**–**	**13,127,927**
Internal revenue	**619,859**	**1,762,097**	**1,346,922**	**(3,728,878)**	**–**
Reportable segment revenue	**7,087,809**	**7,040,494**	**2,728,502**	**(3,728,878)**	**13,127,927**
Share of results of associates	**–**	**–**	**19,862**	**–**	**19,862**
Segment profit	**534,689**	**314,470**	**356,036**	**–**	**1,205,195**
Unallocated share of results of associates					**(33,929)**
Unallocated share of results of joint ventures					**114,961**
Unallocated expenses					**(142,145)**
Unallocated income					**11,332**
Profit before taxation					**1,155,414**

	For the six months ended 30 June 2022				
	Basic business *RMB'000*	Growth business *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
External revenue	8,586,685	5,426,497	1,293,267	–	15,306,449
Internal revenue	1,444,091	1,921,215	439,162	(3,804,468)	–
Reportable segment revenue	10,030,776	7,347,712	1,732,429	(3,804,468)	15,306,449
Share of results of associates	–	–	5,880	–	5,880
Segment profit	570,078	226,841	330,577	–	1,127,496
Unallocated share of results of associates					7,067
Unallocated share of results of joint ventures					72,757
Unallocated expenses					(189,314)
Unallocated income					35,627
Profit before taxation					1,053,633

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

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

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

4 Profit before taxation

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

(a) Finance costs

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**35,236**	36,663
Interest on lease liabilities	**1,129**	2,261
Less: interest expense capitalized	**–**	(35,053)
	36,365	3,871

(b) Other items

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Depreciation charge		
– owned property, plant and equipment	**160,722**	84,611
– right-of-use assets	**26,536**	26,065
Amortization of mining rights	**13,669**	13,659
Amortization of other long-term assets	**9,091**	9,457
Impairment of other receivables	**–**	2,181
Release of deferred income	**(4,052)**	(3,891)
Gain on disposal of property, plant and equipment	**(148,504)**	(2,593)
Write-down/(net reversal of write-down) of inventories	**79,592**	(730)

5 Income tax

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Current tax – PRC Enterprise Income Tax	**82,601**	49,385
Deferred taxation	**1,394**	(4,715)
	83,995	44,670

(i) The provision for Hong Kong Profits Tax is calculated by applying at 16.5% (2022: 16.5%) of the estimated assessable profits for the six months ended 30 June 2023.

(ii) The provision for the PRC Enterprise Income Tax is based on the statutory rate of 25% (2022: 25%) on the estimated taxable profits determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain subsidiaries of the Group which enjoy a preferential tax rate according to related tax policies.

(iii) The provision for Macao SAR Profits Tax is calculated by applying at 12% (2022: 12%) of the estimated assessable profits for the six months ended 30 June 2023.

(iv) The provision for Singapore Profits Tax is calculated by applying at 17% (2022: 17%) of the estimated assessable profits for the six months ended 30 June 2023.

6 Earnings per share

The calculation of basic earnings per share is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Profit attributable to owners of the Company		
Profit for the purpose of basic earnings per share	**1,003,919**	998,350
	'000 shares	*'000 shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,024,456**	7,024,456

The Group has no dilutive ordinary shares outstanding for the periods ended 30 June 2023 and 2022. Therefore, there was no difference between basic and diluted earnings per share.

7 Dividends

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

The Board of Directors did not recommend the payment of interim dividend for the six months ended 30 June 2023 (the corresponding period in 2022: nil).

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year of HK$0.0623 per share (the corresponding period in 2022: HK$0.0528 per share).	**403,403**	317,186

8 Trade and bills receivables

	At 30 June	At 31 December
	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**253,282**	438,613
Less: loss allowance	**(3,170)**	(3,170)
	250,112	435,443
Bills receivable	**269,155**	232,496
Less: allowance for doubtful debts	**(11,050)**	(11,050)
	258,105	221,446
Total trade and bills receivables, net of loss allowance	**508,217**	656,889

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

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
Within 3 months	**341,778**	591,589
Over 3 months but within 6 months	**149,600**	47,758
Over 6 months but within 12 months	**10,204**	11,196
Over 12 months	**6,635**	6,346
	508,217	656,889

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

9 Trade and bills payables

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
Trade payables	**3,029,281**	1,411,139
Bills payable	**888,451**	1,088,013
Trade and bills payables	**3,917,732**	2,499,152

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

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
Within 3 months	**2,486,443**	1,848,826
Over 3 months but within 6 months	**1,075,712**	493,729
Over 6 months but within 12 months	**333,784**	117,020
Over 12 months	**21,793**	39,577
	3,917,732	2,499,152

INTERIM DIVIDEND

The Board of Directors of the Company did not recommend the declaration of interim dividend for the six months ended 30 June 2023.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed, with the management and the external auditors, the condensed consolidated financial statements of the Company for the six months ended 30 June 2023, including the review of the accounting principles and practices adopted by the Group. The Audit Committee has also discussed with the management about auditing, risk management, internal controls, and financial reporting matters of the Group.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and its amendments from time to time as its own code of conduct regarding securities transaction by Directors. The Company has made specific enquiries with all Directors of the Company, and all Directors confirmed that they had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2023.

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

CORPORATE GOVERNANCE STANDARDS

Recognizing the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, the Company 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 complies with the applicable corporate governance standards contained in relevant code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2023 and up to the date of this announcement, except for the deviations from the code provisions C.5.7 and F.2.2 as described below.

The code provision C.5.7 stipulates that, if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting. During the period and up to the date of this announcement, the Board approved certain connected transactions and continuing connected transactions by circulation of written resolutions in lieu of physical board meeting, for which the substantial shareholders of the Company were regarded as having material interests therein. The Board considered that the adoption of written resolutions in lieu of physical board meeting allowed the Board to make a decision relatively quicker in response to the rapid change in the fertilizer markets. Before formal execution of the written resolutions, the Directors (including the independent non-executive Directors) had discussed the matters via emails and made amendments to the 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 19 June 2023 (the "2023 AGM"), Mr. Liu Hongsheng, Chairman of the Board, did not chair the meeting due to other essential business engagements. In accordance with the bye-laws of the Company, Mr. Tse Hau Yin, Aloysius, an independent non-executive Director of the Company, was elected by the Directors attending the meeting to chair the 2023 AGM. Respective chairmen and/or members of the audit, remuneration, nomination and corporate governance committees of the Company were present at the 2023 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 of the Company.

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
SINOFERT HOLDINGS LIMITED
MA Yue
Executive Director and Chief Executive Officer

Hong Kong, 28 August 2023