中化化肥控股有限公司
SINOFERT HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability) Stock Code: 297

NURTURING CHINA'S AGRICULTURE SECTOR

ANNUAL REPORT
2023

Contents

DEFINITIONS

In this annual report, unless the context otherwise requires, the following expressions have the following meaning:

Term	**Definition**
"Audit Committee"	the audit committee of the Company established by the Board in 1999
"Board"	the board of Directors of the Company
"Bye-law(s)"	the bye-law(s) of the Company, as amended, modified or otherwise supplemented from time to time
"Company"	Sinofert Holdings Limited, a company incorporated on 26 May 1994 in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
"connected person"	has the same meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the same meaning ascribed to it under the Listing Rules
"continuing connected transaction(s)"	has the same meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the same meaning ascribed to it under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code contained in Appendix C1 to the Listing Rules
"Corporate Governance Committee"	the corporate governance committee of the Company established by the Board in 2012
"Director(s)"	the director(s) of the Company
"Fertex"	a service platform in respect of agriculture industry in China
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"HSE"	Health, Safety and Environment
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Macao"	Macao Special Administrative Region of the PRC
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules

Term	Definition
"Nomination Committee"	the nomination committee of the Company established by the Board in 2005
"PRC" or "China"	the People's Republic of China, which for the purposes of this annual report only, excludes Hong Kong, Macao and Taiwan
"Remuneration Committee"	the remuneration committee of the Company established by the Board in 2005
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Singapore"	Republic of Singapore
"Sinochem Agriculture"	中化現代農業有限公司 (Sinochem Agriculture Holdings Limited), a connected person of the Company
"Sinochem Fertilizer"	中化化肥有限公司 (Sinochem Fertilizer Company Limited), an indirect wholly-owned subsidiary of the Company
"Sinochem Finance"	中化集團財務有限責任公司 (Sinochem Group Finance Co., Ltd.), a connected person of the Company
"Sinochem Holdings"	中國中化控股有限責任公司 (Sinochem Holdings Corporation Ltd.), the ultimate controlling shareholder of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Company established by the Board on 24 January 2024
"subsidiary(ies)"	has the same meaning ascribed to it under the Listing Rules
"Syngenta Group"	先正達集團股份有限公司 (Syngenta Group Co., Ltd.), the indirect controlling shareholder of the Company
"US$"	United States dollars, the lawful currency of the United States of America
"Yangmei Pingyuan"	陽煤平原化工有限公司 (Yangmei Pingyuan Chemical Company Limited), an associate of Sinochem Fertilizer
"%"	percent

COMPANY PROFILE AND CORPORATE INFORMATION

COMPANY PROFILE

Sinofert Holdings Limited successfully completed the acquisition of China Fertilizer (Holdings) Company Limited and its subsidiaries in July 2005, and became a listed company (Stock code: 297) on The Stock Exchange of Hong Kong Limited. It is now a comprehensive crop nutrition enterprise centering on distribution services and vertically integrating production and network distribution.

Major businesses of the Company and its subsidiaries include the production, import and export, distribution and retail of raw materials and finished products of crop nutrition products, and provision of technological research and development and services relating to crop nutrition business and products.

Benchmarked by the turnover of 2023, the Group is:

- China's leading integrated scientific research platform for the development and application technologies of crop nutrition products;
- China's leading crop nutrition products distribution service provider;
- a large supplier of imported crop nutrition products in China;
- China's leading manufacturer of crop nutrition products;
- a main contributor to the national strategic reserve of potash fertilizers;
- a leading unit of the alliance of the use of less fertilizer and efficiency improvement.

The Group's competitive strengths are mainly reflected in:

- its leading integrated scientific research platform for the development and application technologies of biological preparations and soil health products in China;
- its business coverage of the entire industry chain of research, production, sales and agricultural services, with the most extensive sales service network in China covering 95% of the arable land in China;
- its abilities to produce and distribute complete varieties of crop nutrition products, including nitrogen, phosphate, potash, compound fertilizers and special fertilizers;
- its exclusive agency for overseas high-quality products and its strategic alliances with various international suppliers;
- its comprehensive agrichemical service system directly reaching the farmers;
- one of the largest phosphate resource owners in China and one of the largest MCP/DCP manufacturers in Asia.

The Group strives to become the "leader in bio-fertilizer and soil health innovation". The Group constantly aspires to pursue resource and environmental friendliness, meet the new demands of the agricultural industry, practise green and sustainable development as well as continue the promotion of stable and rapid corporate growth to deliver value and returns to the shareholders, and to contribute to the modernized development of the agricultural industry.

CORPORATE INFORMATION

Board of Directors

Non-Executive Director

Mr. SU Fu *(Chairman)*

Executive Directors

Mr. WANG Jun
Ms. WANG Ling

Independent Non-Executive Directors

Mr. KO Ming Tung, Edward
Mr. LU Xin
Mr. TSE Hau Yin, Aloysius

Members of Committees

Audit Committee

Mr. TSE Hau Yin, Aloysius *(Chairman)*
Mr. KO Ming Tung, Edward
Mr. LU Xin

Remuneration Committee

Mr. LU Xin *(Chairman)*
Mr. KO Ming Tung, Edward
Mr. TSE Hau Yin, Aloysius

Nomination Committee

Mr. KO Ming Tung, Edward *(Chairman)*
Mr. LU Xin
Mr. TSE Hau Yin, Aloysius
Mr. WANG Jun

Corporate Governance Committee

Mr. WANG Jun
Ms. WANG Ling
Ms. CHEUNG Kar Mun, Cindy

Strategy Committee

Mr. SU Fu *(Chairman)*
Ms. WANG Ling
Mr. LU Xin

Chief Financial Officer

Ms. WANG Ling

Qualified Accountant

Ms. CHEUNG Kar Mun, Cindy

Company Secretary

Ms. CHEUNG Kar Mun, Cindy

Auditors

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

Legal Adviser

Latham & Watkins LLP

Principal Bankers

Bank of China
China Construction Bank
Industrial and Commercial Bank of China
Agricultural Bank of China
China Everbright Bank
Bank of Tokyo-Mitsubishi
Rabobank International

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business

Unit 4705, 47th Floor
Office Tower, Convention Plaza
1 Harbour Road
Wanchai, Hong Kong

Share Registrars and Transfer Offices

Bermuda (Principal office)
Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Hong Kong (Branch)
Tricor Secretaries Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Company Website

www.sinofert.com

Share Listing

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
Stock Code: 297

Investor Relations

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1 Harbour Road
Wanchai, Hong Kong

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Level 18, Youan International Tower
Xitieying Middle Road
Fengtai District
Beijing 100069, PRC

FINANCIAL HIGHLIGHTS

(RMB'000 except for basic earnings per share)

	2023	2022
Revenue	**21,728,120**	23,002,701
Gross profit	**2,259,547**	2,576,477
Profit before taxation	**846,235**	1,186,723
Profit attributable to owners of the Company	**625,549**	1,117,206
Basic earnings per share *(RMB)*	**0.0891**	0.1590
Return on equity *(Note 1)*	**6.52%**	12.25%
Debt to equity ratio *(Note 2)*	**18.45%**	18.69%

Note 1: Calculated on the basis of 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.

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

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Growing with China's Modern Agriculture

To shareholders,

On behalf of the Board of Directors, I hereby report to all shareholders the annual results of Sinofert Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2023.

In 2023, the year when economic development resumed after the gradual relaxation of the COVID-19 prevention and control measures, the steady growth policy continued to gain effect, and the economy enjoyed a stable and positive start. However, after entering the second quarter, the manufacturing PMI index fell below the threshold value, casting shadow on the economic outlook. Internationally, the US dollar interest rate remained high and the Palestinian-Israeli conflict continued to increase the investor sentiment towards the US dollar, the RMB exchange rate against the US dollar fell, and import cost was under pressure. Prices of our key products continued to show a downward trend in the first half of the year, falling by approximately 30% from the peak in the same period, and prices of some products were even lower than the level in 2021. In the second half of the year, affected by regional conflicts, shipping disruptions in the Red Sea, and the gradual increase of market demand, prices showed a rebound, but were still on a stable yet weaker note by the end of the year. In the face of the complex and changing external environment, the Group adheres to the drive of scientific and technological innovation, and officially launch the "Bio+" strategy for the future development of "navigation direction"; Through comprehensive strategic transformation, we cultivated the ability of stable operation, riding the wave of industry cycles, hedging market risks, insisting on sustainable development, and effectively copes with the adverse market environment. In 2023, the Group recorded a net profit of RMB684 million, representing a year-on-year decrease of 39%, mainly due to the Group's associate, Yangmei Pingyuan, was shut down due to policy, and the Group recorded impairment of interests in an associate and credit losses on financial guarantees issued totaling RMB523 million. Excluding the impact of this event, the Group achieved a net profit of RMB1,207 million, representing a year-on-year increase of 7.3%. The Group's various operating indicators were in good position, with a sound balance sheet, sufficient cash flow and strong risk resilience.

In 2023, the Group firmly promoted the implementation of the "Bio+" strategy, adhered to scientific and technological innovation, and attained high-quality growth for its Growth Business Segment. As for its bio-compound fertilizer business, the Group continued to make use of IPD integrated management system to develop high-end single product, accelerate the transformation of biological products, Lanlin, Yaxin, Kedefeng and other new products had remarkable results. By creating a 6P marketing system to support product promotion, we established an efficient procurement, production and marketing operation planning system to deepen the capacity potential of the Company, and strengthened the coordination of internal and external supply sources, pushing our core performance indicators to reach new highs. For the special fertilizer business, we accelerated the promotion of biological formulation and soil health products, and further improved the management quality and profitability. For the plant protection and seed business, we made full use of the synergy between internal and external suppliers, and constantly optimized the product structure, recording continued growth in both volume and profit. In 2023, the Growth Business Segment recorded a revenue of RMB7,845 million and profit before taxation of RMB239 million.

The Production Segment continues to practice the concept of green development, focuses on improving quality, reducing cost, increasing efficiency, strictly implementing internal control and management, and continues to promote technical transformation and innovation to firmly build the foundation of stability, longevity and excellence. At the same time, we overcome adverse factors such as large fluctuations in raw materials and product prices, make full use of resource advantages, and maintain good profitability. Sinochem Chongqing Fuling Chemicals Co., Ltd. ("Sinochem Fuling") has broken through the bottleneck of phosphoric acid production, enabling steady increase in comprehensive capacity utilization rate of its production facilities. In 2023, the revenue of the Production Segment amounted to RMB2,549 million, and the cumulative contribution of profit before taxation was RMB506 million.

In 2023, the Group strictly implemented the requirements of national policies, practiced the responsibilities of state-owned enterprises, strengthened the acquisition of prime resources, reduced the cost of fertilizers for farmers, and completed the work of maintaining supply and stabilizing prices with high quality by continuously consolidating the cooperative relationship with strategic suppliers. For the potash business, we improved the multi-product agricultural potassium management system with "Fenghexiang" as the core, accurately grasped the new trends and new opportunities, strengthened the core customer system, and further consolidated our industry leading position. For the phosphate business, we adhered to the strategic procurement capacity as the core, deeply collaborated with investee and holding companies, accelerated the innovation and transformation of bio-phosphate fertilizers, continued to build the "Meilinmei" brand of bio-phosphate fertilizer, and effectively made its breakthrough in the high-purity phosphorus operation. The Basic Business Segment achieved revenue of RMB11,334 million and profit before taxation of RMB678 million for the year.

As we steadily increased investment in R&D, our scientific and technological research and development capabilities have been continuously enhanced, and the R&D capabilities in the "Bio+" underlying technology have been initially formed with respect to plant physiology, molecular biology, and synthetic biology, with research and analysis throughput increasing by 40%. We engaged "chief scientists" and established scientific research teams and built joint laboratories by focusing on the key directions of the "Bio+" strategy such as nutrient efficiency, biological formulations and soil health. In 2023, the R&D results transformed into 1.079 million tons of end-products, representing an increase of 16.6% over the same period last year, among which the transformation of key new products such as Kedefeng, Youliangmei and the third generation of Meilinmei exceeded 250,000 tons; five of these R&D technologies, including the green and efficient soil health product formulation, won the "Sinochem 2023 Science and Technology Award".

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 regular meetings in 2023, 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 and significant business 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 incentive systems and perfecting the corporate governance structure.

In 2024, the world geopolitics, exchange rate fluctuations, import and export policies, and food prices will bring substantial risks and challenges to the production, import and distribution of the fertilizer industry. However, with the gradual recovery of China's economy, the capacity of grain production, circulation and storage will be further enhanced, and with the implementation of the national policy on food safety and promotion of high-quality agricultural development, especially the "14th Five-Year Plan" for bioeconomy development which clearly points out the goal of each bioeconomy development stage, by 2025, bioeconomy will become a strong driving force for high-quality development, bio-fertilizers will enter a stage of rapid development with further expansion of market scale. The Group, relying on strong scientific and technological resources of Syngenta Group China as well as the domestic R&D and industrialization platform, will have ample room for development of its "Bio+" strategy.

In 2024, 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 implementation of the "Bio+" strategy, improve the utilization of fertilizer nutrients, reduce carbon emission and promote healthy soil development through scientific and technological innovation. Firmly driven by the promotion of "Bio+" products, the bio-compound fertilizer business will focus on the promotion of single products for nutrient efficiency, biological formulations and soil health, and achieve growth in volume and scale. By closely coordinating the three responsibilities of state-owned enterprise, the potash fertilizer business will strengthen the cooperation and stickiness with suppliers and customers while ensuring supply and price stability, creating differentiated products, and increasing sales and upholding its brand premium. For the phosphate business, the Company will strengthen strategic procurement, ensure stable supply, optimize channels and customers, focus on the marketing of bio-phosphate fertilizer and high-purity phosphorus, so as to make bigger contribution in volume and profit. For the special fertilizer business, the Company will constantly adjust the product structure, take nutrient efficiency as the cornerstone, focus on biologics and soil health as the two wings, and build its comprehensive competitiveness and influence in the industry. For the plant protection and seed business, the Company will take advantage of internal and external coordination, break through the field market, expand the key economic crop market, improve channel coverage and market share, and continue its growth in volume and profit contribution. The Production Segment will vigorously promote the comprehensive improvement of HSE with the establishment of FORUS system: nurturing of star enterprises, in-depth integration of its system into the industry, and comprehensive improvement of HSE. At the same time, it will build diversified factories focusing on refined chemicals and upgrading of industry chain, accelerate the cultivation and development of new quality productivity, so as to achieve low-carbon, green and high-quality development.

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. 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, feel confident but always be aware of difficulties, work with determination and unite with one heart, together we can forge ahead and continuously make contribution to the development of the Group.

SU Fu
Chairman of the Board

Hong Kong, 25 March 2024

CHRONICLE OF EVENTS

Year 2023

JANUARY

- The project "Green Efficiency Technology Innovation and Application of Bulk Fertilizers" jointly submitted by the Group, IARRP of CAAS and China BlueChemical Ltd. was awarded the "Second Prize for Scientific and Technological Innovation 2022" of China Petroleum and Chemical Industry Federation. The R&D and application of such technology have significantly contributed to the green and sustainable development of the phosphorus resources as well as the phosphorus fertilizer industry in China.

- The cumulative annual sales volume of the Group's microbial fertilisers for the year 2022 exceeded 500,000 tons. Trials for a variety of crops and in a number of fields have indicated that the bio-fertilizer products developed and promoted by the Group are able to increase yields compared to conventional fertilizers, showing significant results in disease resistance, quality improvement, and building resilience, thus laying a solid foundation for the Group to become a leader in the microbial field industry.

FEBRUARY

- The Group and Qinghai Salt Lake Industry Co., Ltd. ("Qinghai Salt Lake") entered into the 2023-2025 Potash Sales Framework Agreement. The signing of such agreement signifies the further strengthening of the strategic cooperative relationship between both parties which will continue to consolidate and enhance their cooperation to meet the requirements of maintaining the supply and price stability of domestic potash and safeguarding the interests of farmers and food safety in China.

- On 7 February, Li Yuxing, general manager and vice chairman of Sinopec Marketing Co. Limited visited the Group, and the two parties discussed and exchanged views in respect of strategic cooperation in the areas of agricultural fertilizers, agricultural products, agricultural services, digital agriculture, online trading, intelligent logistics, supply chain finance and supply source guarantee. Their strengthened cooperation contributed to guaranteeing food safety, helping rural revitalization and relieving farmers from poverty.

Year 2023

MARCH

- On 3 March, Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong"), a subsidiary of the Company, held a final commendation and project acceptance meeting for the new apprenticeship system. Through the implementation of the new apprenticeship system, which is mainly based on the principle of "recruitment as enrollment, joining the enterprise as entering the school, joint training by enterprise and school teachers", organic integration of production and education was achieved. A total of 202 individuals passed the graduation examination in chemical process and the evaluation for intermediate vocational qualification in chemical control. The structure and professional quality of the skilled workforce were significantly improved, building a platform for high-quality development of skilled talents.

APRIL

- Sinochem Yunlong, a subsidiary of the Company, obtained the invention patents for the "Method of Producing Composite Multi-element Polyphosphate Co-production of Fluorosilicic Acid from Wet-Process Phosphoric Acid slag" and "A Type of Phosphogypsum Pelletizing Production Line" granted by China National Intellectual Property Administration.

- On 18 April, the Group's first shipment of Egyptian imported phosphate rock powder "Heilan's Song" berthed at Zhenjiang Port. The arrival of this shipment at the port demonstrates the Company's commitment to "ensuring stable supply and price". To a certain extent, it alleviates the shortage of high-quality phosphate rock powder domestically, providing high-quality raw materials to Sinochem Fuling and other strategic partners. This lays a solid foundation for strengthening close cooperation across the entire industry chain.

Year 2023

MAY

- The Group participated in the International Fertilizer Association (IFA) Annual Conference 2023, which not only enables face-to-face in-depth exchanges with international enterprises to achieve the purpose of cooperation, but also provides good opportunities for international enterprises to have a deeper understanding of China's fertilizer enterprises and industry.

- The Group held a "chief scientist appointment ceremony". In line with the Group's three major R&D directions of " nutrient efficiency, bio agents and soil health," researcher Zhao Bingqiang from the Chinese Academy of Agricultural Sciences, Professor Feng Gu from China Agricultural University, and researcher Han Yejun from the Institute of Process Engineering (IPE) of the Chinese Academy of Sciences were appointed as chief scientists of the Group. The aim is to further strengthen the R&D foundation, make breakthroughs in strategic cutting-edge basic technologies, common key technologies, and "bottleneck" technologies, generate more high-level core technologies, and cultivate a variety of products with core competitiveness and development prospects.

JUNE

- China's potash import negotiation team and the international potash supplier Canpotex, a Canadian potash exporter, reached agreement on the 2023 potash annual import contract price, the contract price of US$307/ton CFR was US$283/ton lower as compared with the previous year, and the Group continued to maintain its competitive price for potash in the world and will provide a positive guarantee of potash supply for the domestic agricultural production.

- Sinochem Fuling, a subsidiary of the Company, was awarded the title of "Chongqing Smart Factory" by the Chongqing Municipal Commission of Economy and Information Technology, becoming the only "Chongqing Smart Factory" in Fuling District for the year 2023. In the future, through a series of hardware and software upgrades in equipment and technology, the factory will continue to integrate and advance its operations towards high-end, intelligent, and green manufacturing, aiming to create industry benchmarks.

Year 2023

JULY

- The Group officially launched its "Bio+" strategy to the industry at the "2023 China Bio-Agriculture Promotion Conference," aiming to empower fertilizer products with biotechnology. A wide range of bio-products including bio-enhanced compound fertilizers, bio-inoculants, bio-stimulants, and bio-organic fertilizers were introduced, contributing to sustainable agriculture development with our Sinofert solutions.

- The kickoff of the "Green Value-Added Phosphorus Ammonium Product Development and Industrialization" project, led by the Group as part of the 14th Five-Year National Key Research and Development Plan, was successfully held at Sinochem Fuling. Attendees included Xiu Xuefeng, Chairman of China Phosphate Compound Fertilizer Industry Association, Zhao Bingqiang, the project leader, and consultants and experts. Through the implementation of this R&D plan, we will continue to produce value-added ammonium phosphate products that lead the industry and promote the transformation and upgrading of the phosphate fertilizer industry.

AUGUST

- Upon the completion and commencement of production at the new plant of Sinochem Fuling, a subsidiary of the Company, the first batch of 10,000 tons of diammonium phosphate (64% DAP) export orders were successfully loaded onto vessel at Huangqi Port in Fuling. The successful execution of this export order signifies that the product quality and service standards of Sinochem Fuling have been recognized by the international market and builds a firm foundation for driving the sustained and healthy growth of the Group's business.

Year 2023

SEPTEMBER

- On 10 September, the vessel "BUTIHAN", carrying potassium fertilizer from Jordan, successfully docked at the berth in Lianyungang, Jiangsu. The shipment of potassium fertilizer demonstrates Sinofert's proactive efforts to ensure a stable supply and prices by increasing the import of high-quality potassium fertilizer. Through close collaboration with the Jordan Arab Potash Company and Lianyungang Port, the Company leveraged synergies to implement multi-level strategic cooperation in fertilizer imports, logistics and transportation. According to the situation of market supply and demand, potassium fertilizers were efficiently and precisely sourced to effectively secure market supply to support agricultural production and protect food safety.

OCTOBER

- The Group and Syngenta Group's crop protection segment obtained approval for the joint establishment of the China National Chemical Central Research Institute Plant Protection and Nutrition Research Center project. This research center will coordinate R&D directions in the fields of plant protection and nutrition, optimize the allocation of technological resources, promote talent development from multiple dimensions, and enhance the core competitiveness of products through synergies within Syngenta Group.
- On 23 October, Mr. Volker Andresen, Director of the Sustainable Development Department of the International Fertilizer Industry Association (IFA) and leader of the China Initiative, and fellow guests visited the Group. Both parties engaged in in-depth discussions and exchanges on domestic and international trends in the fertilizer industry and furthering cooperation.

Year 2023

NOVEMBER

- As the main contractor responsible for the implementation of the Syngenta Group's China Soil Health Strategy, the Company took the lead in launching the "Houpu Soil Health+" service platform, and made its debut at the China International Import Expo ("Import Expo") exhibition booth, attracting high attention from various parties. During the Import Expo, the Company signed a memorandum of understanding (MOU) for cooperation with Food Safety Supply Chain Limited (Dubai), the signing of which guarantees a stable supply of quality goods.

- In the "2023 Central State-owned Enterprise Socialist Core Values Theme Micro Film (Micro Video) Collection and Exhibition Activity" organized by the SASAC of the State Council, the Group's work "My Name is Wang Fanwang" won the Excellent Work Award in the category of original aspiration and mission. Sinofert has always adhered to its original aspiration and mission, with the aim of "Serving farmers wholeheartedly," it provides quality technology and product services to benefit agriculture, farmers and rural affairs, and contributes to the modernization and sustainable development of the Chinese agriculture. With our original aspiration and mission, we create a bright future for the agriculture industry assisted by technology.

- Sinochem Yunlong, a subsidiary of the Company, received Bloomberg Leading Environmental Initiative Award in 2023 for its Green Factory Project.

DECEMBER

- The 2023 China Sinofert Science and Technology Awards was officially announced, and the Group won 2 scientific and technological progress awards and 3 patent awards. The R&D system of the Group's biological agents with independent intellectual property rights has been initially formed. The Group's R&D team will then collaborate with scientists worldwide from Syngenta Group to introduce advanced technology and R&D experience, empowering the development of the Company's "Bio+" strategy.

- One of the Group's core "Bio+" series of products, Lanlin, was awarded the title of "Farmer's Favourite Brand" in 2023 from the China Agro-technological Extension Association and Agricultural Materials and Markets Media. The brand influence of the Group continues to increase, and is once again recognised by the industry.

荣誉证书

HONORARY CREDENTIAL

中化化肥有限公司：

助力行业品牌建设，服务中国绿色农业！恭喜贵企“蓝麟”荣获2023年度“农民心目中的好品牌”荣誉称号！

特发此证，以资鼓励！

MANAGEMENT REVIEW AND PROSPECT

MANAGEMENT REVIEW AND PROSPECT

Business Environment in 2023

In 2023, the global economic slowdown has led to weaker demand for agricultural products, while regional geopolitical conflicts, US dollar interest rate hikes, extreme weather and other factors have worsened the situation, and energy and fertilizer prices continued their downward adjustment in a wider range. The Chinese Government comprehensively worked out the spirit of the 20th National People's Congress, clearly adhered to the overall keynote of seeking progress while maintaining stability, and introduced series of policies to stabilize growth. These include: Reducing the reserve requirement ratio twice by the central bank and lowering the reserve requirement ratio by a total of 0.5 percentage point; cutting the loan prime rate (LPR) twice, with the one-year LPR down from 3.65% to 3.45%; guidelines on promoting the development and growth of the private economic sector were launched, which stimulated a rebound of the economy. The GDP grew by 5.2% year-on-year, and the main growth targets were achieved..

In 2023, the fertilizer market was affected by the international and domestic environment, and market conditions of major raw materials and fertilizer products such as potash fertilizer, phosphate fertilizer and nitrogen fertilizer fluctuated with increasing market risks. In order to further promote the steady and healthy development of China's fertilizer industry, the Chinese government issued a series of policies and guarantee mechanisms to ensure the stability of the fertilizer market and adequate supply of fertilizers by stabilizing the supply, unblocking the end-market network, adjusting commercial reserves and import and export tariffs, implementing export legal inspections and other policies, which provided a strong support for the fertilizer business. At the same time, it practically assured the agricultural production of spring cultivation, effectively raised the motivation of farmers to grow grains, and secured the food safety of the country.

In the face of complex and changing economic and market environment, the Group will firmly promote its strategic transformation to become a "biofertilizer and soil health innovation leader". Under the leadership of the Board of Directors, the Company will continue to fulfill its role as a state-owned enterprise and insist on scientific and technological innovation as the core drive. The bio-compound fertilizer business will be driven by differentiated product promotion, 6P marketing system support, and tapping of the capacity potential of the holding enterprise. For potash fertilizer business, we will actively fulfill our role as a state-owned enterprise to maintain supply and stabilize prices of potash fertilizer and realize the trend of growth by strengthening strategic procurement and in-depth cultivation of sales channels, and further consolidate our leading position in the industry. For the phosphate business, we will adhere to the strategic procurement, continue to promote the transformation and upgrading of biological fertilizers, build the "Meilinmei" brand of bio-phosphorus fertilizer, make breakthroughs in the high-purity phosphate operation, to achieve high-quality growth in performance. For the special fertilizer business, biological formulations and soil health products will be developed rapidly with further improvement in management quality and profitability. For the plant protection and seed business, we will make full use of the synergy between internal and external suppliers, constantly optimize the product structure, and create big single products, so as to report continuous growth of business volume and profit contribution. The Production Segment will promote the comprehensive improvement of HSE with the establishment of FORUS system: nurturing of star enterprises, in-depth integration of its the system into the industry, and comprehensive improvement of HSE. At the same time, diversified factories focusing on refined chemicals and upgrading of industry chain will be built, so as to achieve low-carbon, green and high-quality development.

Financial Performance

For the year ended 31 December 2023, the Group's revenue amounted to RMB21,728 million. Profit attributable to owners of the Company amounted to RMB626 million.

Research and Development

In 2023, focusing on the "Bio+" strategy and relying on national and provincial R&D platforms such as the "National Engineering Research Center for Cultivated Land Protection" and "Scientific and Technological Innovation Alliance for Fertilizer Reduction and Efficiency Improvement", the Group built on and continued to improve its "Bio+" R&D capabilities, targeting at key biotechnology, and launched key products such as Kedefeng and Youcuilu. At the same time, in order to strengthen the research platform and team building, the Group engaged three chief scientists from the Chinese Academy of Sciences, China Agricultural University and Chinese Academy of Agricultural Sciences to respectively lead the three research and development directions of biotechnology, soil health and nutrient efficiency. In terms of "Bio+" R&D capability building, the application of plant physiology, molecular biology and crop metabolic pathways enabled our rhizosphere soil microorganism and other analytical capabilities to improve by >30%, and 6 sets of biotechnology R&D models were newly developed/optimized. In terms of key technology research, four key technologies, including biological nitrogen fixation and synthetic biological product A, have made phased progress and entered into the stage of technology application research. During the year, our R&D results were transformed into 1.079 million tons of new products, representing an increase of 16.6% over the same period last year.

In the future, the Group will continue to strengthen the building of "Bio+" R&D capacity to enhance the R&D output, empower our research and development work with focus on biotechnology, soil health and other key directions. The Group will recruit high-level scientific research personnels and nurture existing high-potential research and development personnels, and strengthen the installation of high-output, digital software and hardware. Through the integrated mechanism of research, production and marketing, the Group will continue to accelerate the development, industrial transformation and promotion of key "Bio+" products.

Production and Manufacturing

In 2023, Sinochem Yunlong overcame adverse factors such as sharp decline in product prices and strived to stabilize production and focus on operation with strict management, while reducing costs and seeking development under the continuous HSE efforts. The company tightened its internal control and management, continued process innovation, stabilized production and strengthened sales promotion, enhanced quality and improved efficiency, so as to achieve new highs in operating performance. The company recorded a net profit of RMB287 million, an increase of RMB12 million year-on-year. Sinochem Yunlong has always implemented the concept of high-quality development, committed to the development of advanced and applicable green and low-carbon technology, and achieved efficient utilization of phosphorus (P) and fluorine (F); comprehensively merged together the five 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, stabilizing the existing high-phosphorus feed calcium (MCP, MDCP) production, creating an internationally competitive fine phosphate (salt) flexible manufacturing platform, which became a plant and animal nutrition production base and achieved 100% comprehensive utilization of phosphogypsum. In 2023, the Green Factory Project of Sinochem Yunlong was awarded the Bloomberg ESG Leading Enterprise Award – Leading Environmental Initiative Award.

In 2023, Sinochem Jilin Changshan Chemical Co., Ltd. ("Sinochem Changshan") overcame the impact of market price fluctuations of upstream raw materials and downstream products, improved quality and efficiency, enhanced its risk-resistant capacity, and strengthened the industrial foundation to achieve safe operation and higher yield, exceeding the production target and maintaining robust earnings. The company made breakthroughs in green development, energy saving and carbon reduction, and has strategically cooperated with third party to explore green electricity carbon reduction, and all the power generated from the project has been provided to Sinochem Changshan for production use, reducing its operating costs by approximately RMB3 million annually, and carbon dioxide was recycled to achieve carbon reduction and efficiency improvement. The company was awarded the title of Excellent Industrial Enterprise 2023 by Songyuan municipal government.

In the face of complex market environment, Sinochem Fuling paid close attention to production and operation in 2023 by focusing on the core of the whole production system and the critical issue of "phosphoric acid operation rate". The company strived to carry out technical research on stabilizing and improving production, with the aim of eliminating defects and making rectification, optimizing equipment and process. All the production devices have completed the 72-hour performance assessment and reached the design requirements, and the capacity utilization rate has been improved gradually. The overall capacity utilization rate of the installations throughout the year was 85.59%, which was higher than the budgeted target. The company produced 873,600 tons of salt fertilizer and finished acid products, up by 316% over the corresponding period in 2022 and achieved a net profit of RMB53.5 million, up by 327% over the corresponding period in 2022. At the same time, multiple measures were taken to improve quality and efficiency, and total cost was reduced by RMB146 million for the year, with a completion rate of 159%. The company was awarded the title of "Chongqing Smart Factory" by Chongqing Economic and Information Commission in 2023 and became the only "Chongqing Smart Factory" in Fuling District. In the future, Sinochem Fuling will continue to promote high-end, intelligent and green factory operation through a series of equipment and technology upgrading, including software and hardware, setting a benchmark in the industry.

Potash Fertilizer Operations

In 2023, the global potash supply gradually recovered, the international and domestic potash prices fell significantly in the first half of the year, and the trend of oversupply accelerated. The Group has been actively playing the role of the main channel for imports to safeguard the "price depression" status of the imports of domestic potash, continuously improving the diversified import system covering major international potash suppliers and consolidating the cooperative relationship with international suppliers to safeguard the supply of domestic potash. The Group optimized the procurement and shipping coordination, further improved the channel marketing system centered on "Fenghexiang", and developed a variety of "Bio+" and efficiency-enhancing potassium fertilizer products in response to the market demand and offered to the market. At the same time, the Group strengthened the terminal agrochemical services to enhance the efficiency of the utilization of potassium fertilizers and promote the reduction of volume and increase of efficiency.

Phosphate Fertilizer Operations

The Group gave full play to its strategic procurement advantages and actively expanded overseas markets and timely imported domestic scarce high-grade phosphate ores, sulfur and other resources to meet production needs despite the tight supply of domestic phosphate ore and the suspension and reduction of production at some plants. 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. The "Meilinmei" series of bio-phosphorus fertilizer products have been upgraded to the third generation, which further enhanced the utilization rate of phosphate fertilizers, safeguarded soil health and saved upstream phosphate resources while helping farmers to increase production and harvest, achieving stable profit contribution, increasing customer value and further consolidated our position as a leading distributor of phosphate fertilizers in the domestic market. The Company actively explored and promoted the extension of the business chain of phosphate fertilizers., steadily increased its market share in the fields of agricultural irrigation, new energy, fine phosphorus chemicals, etc. to attain its sustainable development goal.

Bio-compound fertilizers

Under the lead of the "Bio+" strategy, the Group adhered to differentiated product management and continued to deepen the adjustment of product structure. In 2023, the sales volume of differentiated compound fertilizers was 1.34 million tons, up by 11.05% over the corresponding period in 2022. Focusing on operation resources, the Group continued to deepen the setting up of product system and adjustment of product structure, strived to develop core single products of bio-compound fertilizers, and launch to the market a range of core products with outstanding features and brand influence, as represented by Lanlin, Yaxin, Kedefeng, Weigeshi, etc. Driven by the dual wheels of brand publicity and technology-based marketing, the Group carried out marketing activities by focusing on core big single product, and accelerated the promotion of bioproducts, with steady growth in both volume and profit. Through repeated modification of the development model and targeted research and precise judgement of the market, as well as upgrading of capacity building, the Group gradually established a more comprehensive operating system integrating procurement, production and marketing to support business development and achieve excellent synergy effect in production and marketing, which improved efficiency of our internal operation. The plant utilization rate, conformance to specification rate and order satisfaction rate of the compound fertilizer plant maintained at satisfactory level, reducing operation costs, lowering market risks and creating value for shareholders. The market influence of the Group's bio-compound fertilizer brand have been increasing.

Special Fertilizers

In line with our goal of green and sustainable agricultural development, the Group continued to invest in the research and development of special fertilizers and their production capacity, forming more complete research, production and marketing system and production capacity layout. The special fertilizer business focuses on the strategy of biological formulations and soil health and the creation of core products, improves the operation quality of Linyi special fertilizer base, and actively promotes the integrated business of water and fertilizer. In 2023, steady growth in revenue, gross profit, sales volume and EBITDA of this business segment was achieved. We completed the construction of a 100,000-ton special fertilizer production base in Linyi City, Shandong Province, which was smoothly put into production, and the output and sales of products for the year increased by 28% and 25% respectively, laying a strong foundation for more efficient R&D and results transformation and better customer service. We will continue to focus on enhancing operation efficiency and improving product quality. The sales volume of self-developed bio-stimulants (Youcuilu and Youliangmei) grew rapidly as our targeted promotion met with a good response, with revenue up by 48%. While meeting the demand of farmers to improve quality and increase production, saving time and labor, our brand influence continued to expand. The sales volume of soil health products increased by 59% year-on-year, and the market share in the application of soil secondary nutrients kept its leading position, as we promote the arable land quality enhancement. During the year, the Group continued to steadily expand the business development of water and fertilizer integration based on remote communication and remote control technology, with the number of projects and revenue up by 25% over the corresponding period in 2022. We also continued to improve the capacity in design and implementation of various agricultural forms such as high-standard farmland, greenhouse and landscape farming, etc.

Business Collaboration

In 2023, in an effort to fully implement the synergistic development requirements of Sinochem Holdings, and promote cross-business synergistic development, the Group carried out comprehensive synergies among various business units. Plant protection and seed business maintained stable and efficient development, and the business volume of the synergistic innovative products "Lanlin Guanwushuang" and "Yaxin Ruikeming" gradually expanded. The revenue from seed collaboration amounted to RMB35.82 million, up 181% year-on-year. 64 species in rice, corn, vegetables, wheat and other crops, including 16 exclusive species were developed. In terms of production research and development, we invited research, development, soil health and other teams of Syngenta Group to Linyi Center for scientific research exchange and established a Plant Protection and Nutrition Research Institute under the Central Research Institute of Sinofert with Syngenta Group's research team, with the aim of accelerating the high-quality development of the Group's synergistic business with plant protection and seeds.

Digital Service Innovation

In 2023, the Group continued to promote free soil testing services, provide technical guidance for field activities, organize online and offline technical seminars, and work on the protection of rights and anti-counterfeiting, as well as integration of quality resources. 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 gave field guidance to safeguard farmers' planting and production, so as to provide them with a full range of crop planting technical solutions and promote the use of good seeds and good planting methods. The Group carried out more than 60,000 activities in relation to comprehensive technical services. With the themes of "Food Security for Prosperity of Families and the Country" and "Peasant Affluence Brings Good Harvest", we organized "Bountiful Harvest" crop harvest celebration and other activities. Through online and offline immersive interactions, agricultural technology experts accurately explained on crucial issues of crop planting and solutions, such campaigns covering multiple topics effectively reached more than 300,000 farmers online and offline, with new media reaching more than 10 million viewers. By fully integrating the advantages of biotechnology, teaching planting technology to farmers and 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, which promoted biotechnology empowerment to green and sustainable agriculture for the efficient development of the agricultural industry.

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 "Measures for Central Enterprises Compliance Management" 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 response measures, the Group implemented the whole process risk management, alert and response measures on material risks to protect the value of its enterprises.

In 2023, the Group fully implemented the requirements of State-owned Assets Supervision and Administration Commission for the construction and supervision of internal control of state-owned enterprises, improve the internal control management system and mechanism, implement the supervisory responsibilities of the Board of Directors for the internal control system, and improve the quality of the Company. The Group strengthened its system construction, revised and published 172 systems and the 2023 version of the rights and responsibilities manual, continued to improve the internal control system, and restructured the organizational structure in 2023 to ensure the smooth and orderly development of operation and management. The Group strived to empower, support and safeguard the fulfillment of needs of the "Bio+" strategic transformation and business development. The Group continued to promote compliance culture through various means, such as compliance talks by business leaders, professional department trainings, systematic monthly meetings of finance and risk responsible personnel, daily WeChat promotion of internal control and compliance management experience, and management at all levels were encouraged to build a safe operating environment in a scientific manner. The Group actively created a benign compliance control culture for "steady operation and healthy development". By focusing on the incorporation of compliance and risk management requirements into business process, strengthening informatization and enhancing accountability of each business unit, the Group actively explored differentiated mechanisms of internal risk control and management for different business units. The Group continued to carry out risk identification work, monitor major risks, and comprehensively investigate operational risk incidents with focus on the establishment of long-term mechanisms.

In 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 function actively enabled, supported and assured that its business development adapt to changes in the market and operating environment, provided support for the strategic transformation of the Company, reasonably protected the interests of shareholders of the Group and asset safety, and improved the quality of operation and strategy implementation.

Social Responsibility

The Group served the Chinese farmers wholeheartedly, and actively brought into full play our influence and leading status in the industry. The Group directly provided agricultural inputs to the grass-root farmers 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 customized 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, sowing 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.

The Group strictly implemented the requirements of the Central Committee and the State Council and other superior authorities on guaranteeing supply and stabilizing prices and ensured the supply of fertilizers in the domestic market by increasing the import of potash fertilizer, keeping commercial reserves of fertilizers, and increasing factory production. At the same time, the Group took advantage of its capital base, warehousing facilities, logistics, etc., actively launched products to the market, and actively called on downstream customers to make available their supply through various publicity channels, thereby fulfilling the responsibilities of our role as a state-owned enterprise.

Throughout 2023, the Group continued to provide crop technology solutions to farmers, and conducted experiments in more than 3,000 trial and demonstration fields surrounding the "Double Reductions and Increasing Efficiency" initiative, more than 8,000 planting technology training sessions and over 3,000 demonstration sessions were held through a combination of online and offline methods, and more than 100,000 copies of online and offline technical solutions were circulated, directly benefiting more than 7 million farmers.

In order to solve the issue of lacking arable land, the Group implemented the strategic concept of "storing food in the ground" to support the high-quality development of agriculture, and protected the bottom line of food safety by taking the lead in launching the "Houpu Soil Health+" service platform, with the vision of "making every inch of arable land fertile soil for harvest" and the mission of "raising the potential of soil health" and the goal of building a soil health digital hospital. The objective of "Houpu Soil Health+" is to promote sustainability and commercialization of crop plantation by making use of digitalization and innovation as drivers, focusing on the implementation of five sure-win measures, namely the creation of an open and innovative platform for soil health, a soil health indicator system, soil health product and technology system, diversified service channels and an online and offline service platform within the open ecological circle, which together would provide our customers with diagnostic soil health assessments, soil health enhancement services and sustainable soil health management services. In 2023, a set of soil health indicator system and a number of other soil health solutions applicable to different scenarios have been formed, nearly 100 soil health service centers have been established in 17 provinces across the country, successful practices have been reported in many areas such as mine reclamation, forest land restoration, efficient utilization of saline-alkali land, and soil health improvement of special economic crops, and the service has increased arable land area by more than 20,000 mu, demonstrating strong market vitality. The Group also successfully held the first Soil Health and Regenerative Agriculture Forum, which helped in promoting its brand influence. The Houpu soil health strategy aims to solve the arable land problems and promote the sustainability of agriculture and food safety, so as to offer a direction for the high-quality development of the agricultural industry and help the overall realization of rural revitalization.

Business Outlook for 2024

In 2024, against the backdrop of continued geopolitical conflicts and high inflation, uncertainties and challenges of the global economic environment will still exist as affected by trade protectionism and reshaping of the global industry chain and supply chain after the COVID-19 pandemic. China's economic growth target for the period of the 14th Five-Year Plan is to "maintain within a reasonable range". At the same time, benefited from the world's most promising mega market, the economic recovery in China will be supported by its macro policies, injecting strong impetus to comprehensively deepen reform and opening up, and the new round of revolution on global scientific and technological and industrial transformation offers new opportunities for the emergence of factors and conditions to support high-quality development, and the more stable domestic economic environment will help fertilizer prices to be maintained within a reasonable range.

In 2024, the Central Rural Work Conference stressed that "ensuring a stable and safe supply of food and important agricultural products is always the top priority for building a strong agricultural country, and we must ensure the production of food and important agricultural products, stabilize the grain sown area, and promote the increase of grain yield per unit of large area of land" to accelerate the modernization of agriculture and rural areas and better promote the Chinese style modernization. On the other hand, the Central Economic Work Conference stressed the need to strengthen the dual-wheel drive of science and technology and reform, strengthen the measures to increase farmers' income, establish a big agricultural concept and a big food vision, and build agriculture into a modern industry of great significance. As a leading enterprise in China's "biofertilizer and soil health innovation" process, the Group will focus on the needs of crop yield and quality improvement, soil health, burden relief and efficiency improvement and carbon and pollution reduction, continue to enrich the biofertilizer product portfolio with scientific and technological innovation, and constantly improve the technology, product and service system to meet the differentiated needs of farmers, and enhance agricultural production efficiency. The Group will strive to make contribution to the implementation of the national food security strategy and secure the initiative on food security.

"As long as you are willing to persevere, you can reach your destination". In 2024, the Group will uphold and carry forward the "spirit" of Sinochem Holdings in the new era, firmly maintains the belief in entrepreneurship, be confident and keeping a clear mind, be firm in the face of difficulties, comprehensively continue to promote the "Bio+" strategy, to become the leader of bio-fertilizer and soil health innovation, and actively implement the national policy of ensuring supply and stabilizing prices. The Company will adhere to the drive of scientific and technological innovation and industrial upgrading, give full play to the advantages of the integration of research, production and marketing, accelerate the cultivation and development of new quality productivity, consolidate the capacity for sustainable growth, focus on the key segments of quality and efficiency improvement and aim at operational excellence, continue to create value for shareholders and strive to promote the sustainable and healthy development of agriculture in China, so as to support China's transformation from a large agricultural country to a strong agricultural country.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

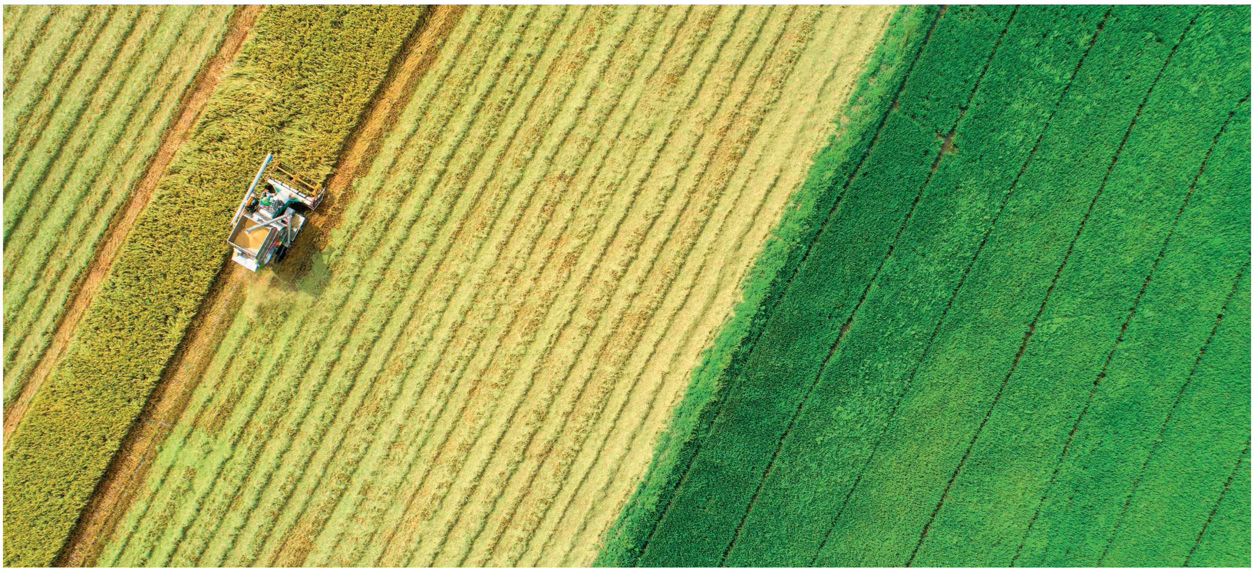
For the year ended 31 December 2023, the Group recorded sales volume of 7.24 million tons, up by 4.86% over the year ended 31 December 2022. The Group's revenue was RMB21,728 million, down by 5.54% over the year ended 31 December 2022. For the year ended 31 December 2023, the Group attained gross profit of RMB2,260 million, down by 12.3% over the year ended 31 December 2022. Profit attributable to owners of the Company was RMB626 million, down by 43.96% over the year ended 31 December 2022. Without taking into account the impact of the recognition of the impairment of the closure of Yangmei Pingyuan due to policy, the profit attributable to owners of the Company amounted to RMB1,149 million for the year ended 31 December 2023, representing a slight increase of 2.86% as compared with the year ended 31 December 2022.

I. OPERATION SCALE

(I) Sales volume

For the year ended 31 December 2023, the Group recorded sales volume of 7.24 million tons, up by 4.86% over the year ended 31 December 2022. The year 2023 was a year of economic recovery after the successful control and fading of the COVID-19 pandemic. Affected by local geopolitical conflicts, global inflation and restrictive financial policies, the exchange rate fluctuated widely throughout the year, and the government successively introduced policies to maintain growth, and the overall economic recovery was still weak. In the face of complex and changing external environment, the Group firmly promoted the launch of the "Bio+" strategy, adhered to scientific and technological innovation as the core driving force, and built an integrated product R&D system of "nutrient efficiency, biological formulations, and soil health". A series of new biofertilizer and soil health products were launched and well marketed, and the strategic transformation began to take effect. At the same time, we strictly controlled costs and expenditure, focused on quality improvement and efficiency enhancement, comprehensively strengthened the foundation of high-quality development, and enhanced our market competitiveness and brand influence.

The Group attached great importance to scientific and technological R&D, engaged "chief scientists" to establish a joint laboratory, and the R&D team followed the direction of "biofertilizer and soil health", conducted research on key biotechnologies such as plant physiology, molecular biology, and synthetic biology applications, and rapidly built up the "Bio+" R&D capabilities, with two science and technology progress awards and three patent awards of Sinochem Holdings granted in 2023. For the year ended 31 December 2023, the total sales volume of the Group's various differentiated products was 1.66 million tons, up by 12.84% over the corresponding period in 2022. Of which, sales volume of differentiated compound fertilizers was 1.34 million tons, up by 11.05% over the corresponding period in 2022.



(II) Revenue

For the year ended 31 December 2023, the Group recorded revenue of RMB21,728 million, down by RMB1,275 million or 5.54% compared with the year ended 31 December 2022, mainly resulting from a decrease in average selling price.

Table 1:

	For the year ended 31 December			
	2023		2022	
	Revenue *RMB'000*	**As percentage of total revenue**	Revenue *RMB'000*	As percentage of total revenue
Compound fertilizers	**6,583,711**	**30%**	6,477,592	28%
Phosphate fertilizers	**5,638,764**	**26%**	5,767,023	25%
Potash fertilizers	**5,250,381**	**24%**	4,027,895	18%
Monocalcium/Dicalcium phosphate (MCP/DCP)	**1,246,150**	**6%**	1,530,881	7%
Special fertilizers	**581,406**	**3%**	393,400	2%
Nitrogen fertilizers	**311,101**	**1%**	3,057,428	13%
Others	**2,116,607**	**10%**	1,748,482	7%
Total	**21,728,120**	**100%**	23,002,701	100%

(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 year ended 31 December 2023 and the year ended 31 December 2022:

Table 2:

	For the year ended 31 December 2023				
	Basic Business *RMB'000*	Growth Business *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue					
External revenue	11,333,844	7,845,131	2,549,145	–	21,728,120
Internal revenue	1,898,126	2,907,604	2,376,219	(7,181,949)	–
Segment revenue	13,231,970	10,752,735	4,925,364	(7,181,949)	21,728,120
Segment profit	678,099	239,001	506,147	–	1,423,247

	For the year ended 31 December 2022				
	Basic Business *RMB'000*	Growth Business *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue					
External revenue	12,994,444	7,441,296	2,566,961	–	23,002,701
Internal revenue	2,548,105	2,913,016	881,731	(6,342,852)	–
Segment revenue	15,542,549	10,354,312	3,448,692	(6,342,852)	23,002,701
Segment profit	720,070	194,272	516,173	–	1,430,515

Certain comparative amounts in segment information have been adjusted 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 interest-bearing borrowings and short-term financing bills. 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 2023, the external revenue of the Group decreased by RMB1,275 million or 5.54% over the year ended 31 December 2022, mainly resulted from a decrease in average selling price.

For the year ended 31 December 2023, the segment profit of the Group was RMB1,423 million. The Basic Fertilizers Segment recorded a profit of RMB678 million in 2023 by consolidating long-term strategic cooperation with suppliers, deepening downstream channel marketing, with the support of refined operations and professional services and increasing brand premium. With differentiated product promotion as the core drive, the Growth Business Segment continued to make efforts to develop high-end single products, create solid support for performance growth. By relying on the production and sales planning operation system, we reduced operating costs, avoided potential risk of loss, and improved efficiency, therefore achieving a profit of RMB239 million in 2023, up by 23% compared with the same period of the previous year. The Production Segment fully adhered to the requirements of quality improvement and efficiency enhancement, sound operation and "controlling costs", all cadres and employees were motivated to carry out entrepreneurial spirit, continuously optimizing operational processes and strengthening cost management. In 2023, the segment recorded a profit of RMB506 million.

II. PROFIT

(I) Share of results of joint ventures and associates

Share of results of joint ventures: For the year ended 31 December 2023, the Group's share of results of joint ventures was a profit of RMB185 million, representing an increase of 94.74% as compared with share of results of joint ventures of RMB95 million over the year ended 31 December 2022, which was mainly attributed to the year-on-year increase of share of results of Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. ("Three Circles-Sinochem").

Share of results of associates: For the year ended 31 December 2023, the Group's share of results of associates was a loss of RMB61 million, representing a decrease of RMB114 million as compared with a profit of RMB53 million for the year ended 31 December 2022, which was mainly attributed to the share of results of Yangmei Pingyuan Chemical Co., Ltd. amounting to a loss of RMB91 million, representing a decrease of RMB92 million over the corresponding period last year.

(II) Income tax

For the year ended 31 December 2023, the Group's income tax expense was RMB162 million, of which current tax was RMB120 million and deferred tax was RMB42 million. In 2023, current tax increased by RMB42 million as compared with the same period of the previous year, mainly due to the income tax paid by Chongqing Fuling District Qilixing Railway Public and Water Intermodal Transportation Company, a subsidiary of Sinochem Fuling, upon completion of the asset disposal of the railway special line. The increase in deferred tax of RMB59 million as compared with the same period of previous year was mainly due to the expiration of the credit period for losses not made up of the Company's subsidiaries Sinochem Fertilizer and Sinochem Changshan in prior years, offsetting the deferred tax assets recognized in prior years.

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 2023, profit attributable to owners of the Company was RMB626 million, down by 43.96% compared with a profit of RMB1,117 million for the year ended 31 December 2022. Without taking into account the impact of the recognition of the closure of Yangmei Pingyuan due to policy, the profit attributable to owners of the Company amounted to RMB1,149 million for the year ended 31 December 2023, representing a slight increase of 2.86% compared with the year ended 31 December 2022. The Group overcame the adverse impacts of downward market fluctuations, sluggish demand and increased import costs due to exchange rate depreciation. Through targeted research and accurate judgement of the industry and market, the Company managed to adjust its structure, reduce costs and maintain its operational efficiency. The Company firmly transformed the mode of development towards innovation, made up for shortcomings, persisted on boosting volume and raising efficiency to guard against the impact of market cycles. At the same time, the Company accelerated the construction of "Bio+" R&D capabilities and continued to upgrade biotechnology empowered products to maintain a reasonable level of profitability.

For the year ended 31 December 2023, the net profit margin of the Group calculated by dividing profit attributable to owners of the Company by revenue, was 2.88%, representing a decrease of 1.98 percentage points over the same period of last year. Without taking into account the impact of the recognition of the closure of Yangmei Pingyuan due to policy, for the year ended 31 December 2023, the net profit margin of the Group, calculated by dividing profit attributable to owners of the Company by revenue, was 5.29%, representing a slight increase of 0.43 percentage point over the same period of last year.

III. EXPENSES

For the year ended 31 December 2023, the three categories of expenses in aggregate amounted to RMB1,294 million, which was basically unchanged from RMB1,292 million for the year ended 31 December 2022. Of which:

Selling and distribution expenses: For the year ended 31 December 2023, selling and distribution expenses amounted to RMB582 million, representing a decrease of RMB25 million or 4.12% from RMB607 million for the year ended 31 December 2022. This was mainly attributable to the Group's strict implementation of the management requirements of "reducing costs" and "all costs can be controlled", focusing on key aspects of quality improvement and cost reduction.

Administrative expenses: For the year ended 31 December 2023, administrative expenses amounted to RMB642 million, representing a decrease of RMB20 million or 3.02% from RMB662 million for the year ended 31 December 2022. This was mainly attributable to the Group's strict implementation of the management requirements of "reduce costs" and "all costs can be controlled", optimizing the organizational management structure, improving operational efficiency and reducing costs.

Finance costs: For the year ended 31 December 2023, finance costs amounted to RMB70 million, representing an increase of RMB47 million from RMB23 million for the year ended 31 December 2022. This was mainly attributable to the cessation of interest capitalization after the commencement of production at Sinochem Fuling.

IV. OTHER INCOME AND GAINS

Other income and gains mainly consist of interest income, income from sales of scrapped materials and raw materials, government grants, and assets disposal income, etc. For the year ended 31 December 2023, the Group's other income and gains amounted to RMB340 million, representing an increase of RMB221 million from RMB119 million for the year ended 31 December 2022, mainly attributable to the Qilixing Railway Public and Water Intermodal Transportation Company, a subsidiary of Sinochem Fuling, completed the asset disposal of the railway special line and recognized a gain from asset disposal and increase in interest income of the Group.

V. OTHER EXPENSES AND LOSSES

Other expenses and losses mainly consist of expected credit loss. For the year ended 31 December 2023, the Group's other expenses and losses amounted to RMB390 million, representing an increase of RMB17 million from RMB373 million for the year ended 31 December 2022, mainly due to the Group's recognition of credit losses on financial guarantees issued of RMB328 million in relation to the guarantee obligations for Yangmei Pingyuan. Sinochem Fertilizer provide guarantee with its restricted cash deposits for the loan of Yangmei Pingyuan. Since Yangmei Pingyuan failed to timely repay the bank loan due in January 2024, Sinochem Fertilizer its guarantee obligation according to the pledge contract and fully repaid the loan principal and interest under the loan contract of Yangmei Pingyuan to the bank after the balance sheet date. After assessing the solvency of Yangmei Pingyuan, the Group recognized credit losses on financial guarantees issued of RMB328 million related to the guarantee. For details of the above issues, please refer to the Company's announcements dated 7 June 2023, 3 January 2024 and 31 January 2024.

VI. IMPAIRMENT OF INTERESTS IN AN ASSOCIATE

The Group's impairment loss of interests in an associate for the year ended 31 December 2023 amounted to RMB195 million, which was mainly due to the impairment loss of interests of RMB195 million on the interests in relation to the long-term equity investment of Yangmei Pingyuan, an associate, recognized by the Group. In December 2023, Yangmei Pingyuan received a mandatory shutdown notice from the People's Government of Pingyuan County, resulting in the cessation of operation of Yangmei Pingyuan, the cashflow was affected and its future operation was uncertain. The Group assessed the recoverable amount of its interest in Yangmei Pingyuan based on the value-in-use and reconciled it with the carrying value of such interest, and accordingly, an impairment loss of RMB195 million was recognized in the "IMPAIRMENT OF INTERESTS IN AN ASSOCIATE". For details of the above events, please refer to the announcements of the Company dated 7 December 2023 and 31 January 2024.

VII. INVENTORIES

As at 31 December 2023, the inventories balance of the Group amounted to RMB5,684 million, which was basically the same as compared with RMB5,673 million as at 31 December 2022. Inventory turnover days increased by 15 days to 110 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 360 days.

VIII. TRADE AND BILLS RECEIVABLES

As at 31 December 2023, the Group's balance of trade and bills receivables amounted to RMB470 million, representing a decrease of RMB187 million or 28.46% from RMB657 million as at 31 December 2022, which was mainly attributable to the decrease in trade receivables. The Group actively prevented credit risk, and the turnover days of trade and bills receivables in 2023 was 9 days, 2 days less than the turnover days in 2022.

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

IX. LOANS TO A FELLOW SUBSIDIARY

As at 31 December 2023, the Group's loans to a fellow subsidiary amounted to RMB800 million, all of which were for the provision of funds to Sinochem Agriculture.

X. GOODWILL

As at 31 December 2023, the goodwill balance of the Group increased by RMB4 million to RMB854 million from RMB850 million as at 31 December 2022, which was mainly due to foreign exchange adjustments. For the purposes of impairment testing, goodwill has been allocated to the cash generating units ("CGUs") of the related segments as follows:

Table 3:

	At 31 December	
	2023	2022
	RMB'000	*RMB'000*
Basic business	**195,517**	192,734
Growth business	**92,008**	90,698
Production		
– Sinochem Yunlong Co., Ltd.	**531,074**	531,074
– Others	**35,538**	35,032
	854,137	849,538

The key assumptions used in the value in use calculation for related CGUs include:

Table 4:

	Basic business 2023	**Growth business 2023**	**Production 2023**
Annual revenue growth rate during and beyond the forecast period	**3.0%**	**3.0%**	**3.0%**
Gross margin	**6.5%**	**7.2%**	**40.4%**
Pre-tax discount rates	**10.7%**	**10.7%**	**12.7%**

	Basic business 2022	Growth business 2022	Production 2022
Annual revenue growth rate during and beyond the forecast period	3.0%	3.0%	3.0%
Gross margin	6.5%	7.2%	38.0%
Pre-tax discount rates	10.7%	10.7%	12.7%

XI. INTERESTS IN JOINT VENTURES AND ASSOCIATES

As at 31 December 2023, the balance of the Group's interests in joint ventures and associates amounted to RMB1,109 million, down by RMB285 million or 20.44% compared with RMB1,394 million as at 31 December 2022, mainly due to the impairment of interests in an associate, Yangmei Pingyuan of RMB195 million. For details of the impairment of interests in Yangmei Pingyuan, please refer to "VI. IMPAIRMENT OF INTERESTS IN AN ASSOCIATE" above. In 2023, using the equity accounting method, the Group's share of investment gains of joint ventures and associates amounted to a total of RMB125 million. Three Circles-Sinochem announced the distribution of a dividend of RMB60 million during the period, Guihou Xinxin Coal Chemical Industry Co., Ltd. announced the distribution of a dividend of RMB144 million during the period, and Beijing Aerospace Hengfeng Technology Corp., Ltd. announced the distribution of a dividend of RMB11 million during the period.

XII. OTHER EQUITY INVESTMENTS

As at 31 December 2023, the Group's balance of other equity investments amounted to RMB164 million, representing a decrease of RMB25 million from RMB189 million as at 31 December 2022, which was mainly due to the decrease in fair value of the equity of Guizhou Kailin Holdings (Group) Co., Ltd. held by the Group.

XIII. INTEREST-BEARING LIABILITIES

As at 31 December 2023, the Group's total interest-bearing liabilities amounted to RMB1,829 million, representing an increase of RMB11 million or 0.61% from RMB1,818 million as at 31 December 2022, which was mainly due to additional bank financing during the period. For details of the interest-bearing liabilities, please refer to the section headed "XVII. LIQUIDITY AND FINANCIAL RESOURCES".

XIV. TRADE AND BILLS PAYABLES

As at 31 December 2023, the Group's balance of trade and bills payables amounted to RMB3,772 million, increasing by RMB1,273 million or 50.94% compared with RMB2,499 million as at 31 December 2022, which was mainly due to trade payables of Sinochem Fertilizer Macao Limited, a subsidiary of the Company, have not reached the payment deadline of letter of credit.

XV. OTHER PAYABLES AND PROVISION

As at 31 December 2023, the balance of the Group's other payables and provision amounted to RMB1,409 million, decreasing by RMB46 million or 3.16% as compared with RMB1,455 million as at 31 December 2022, which was mainly attributed to the completion of all onerous contracts of the Group.

XVI. 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 indicators 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 2023, the Group's basic earnings per share was RMB0.0891 and return on equity (ROE) was 6.52%, representing a 5.73 percentage points decrease over 31 December 2022.

Table 5:

	For the year ended 31 December	
	2023	2022
Profitability		
Earnings per share *(RMB)* *(Note 1)*	**0.0891**	0.1590
Return on equity *(Note 2)*	**6.52%**	12.25%

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 2023, the Group's current ratio was 1.33, and its debt-to-equity ratio was 18.45%, representing a strengthening of repayment capacity. The Group enjoyed relatively high banking facilities and smooth financing channels, as well as diverse funding methods.

Table 6:

	As at 31 December 2023	As at 31 December 2022
Solvency		
Current ratio *(Note 1)*	**1.33**	1.34
Debt-to-equity ratio *(Note 2)*	**18.45%**	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 total interest-bearing liabilities divided by total equity as at the end of the reporting period.

XVII. LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2023, the Group's cash and cash equivalents amounted to RMB3,907 million, which was mainly denominated in RMB and US dollar.

Table 7:

	As at 31 December 2023 ***RMB'000***	As at 31 December 2022 *RMB'000*
Bank loan and other borrowings	**1,788,858**	1,741,217
Lease liabilities	**40,110**	76,613
Total	**1,828,968**	1,817,830

Table 8:

	As at 31 December 2023 ***RMB'000***	As at 31 December 2022 *RMB'000*
Carrying amount of interest-bearing liabilities		
Within one year	**612,527**	469,527
More than one year	**1,216,441**	1,348,303
Total	**1,828,968**	1,817,830

Table 9:

	As at 31 December 2023 ***RMB'000***	As at 31 December 2022 *RMB'000*
Fixed-rate interest-bearing liabilities	**483,068**	408,830
Floating-rate interest-bearing liabilities	**1,345,900**	1,409,000
Total	**1,828,968**	1,817,830

As at 31 December 2023, the Group had banking facilities equivalent to RMB25,381 million, including US$915 million and RMB18,900 million. The unutilized banking facilities amounted to RMB21,907 million, including US$748 million and RMB16,608 million, respectively.

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

XVIII. OPERATIONAL AND FINANCIAL RISKS

The Group's major operational risks include geopolitical tensions, weak global economic growth, continued tightening of monetary policy and the emergence of trade fragmentation. In 2023, China's effective demand is insufficient, some industries had excess capacity, social expectations were weak, the external environment was complex, severity and uncertainty were rising. Market competition in the fertilizer industry has been intensified in the backdrop of green transformation, 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. On the one hand, relying on the national and provincial R&D platform, we built and continued to improve the "Bio+" R&D capability, conduct research on key technologies, and continue to accelerate the development, industrial transformation and promotion of "Bio+" key products through our research, production and marketing integration mechanism. On the other hand, we regarded technology marketing as the key means of the Company's strategic transformation, closely grasping the pain points of crops and users, constantly tapping market demand, and improving the profitability of the Group while providing users with cost-effective product solutions.

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 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 heavily polluted weather. In 2023, no major environmental pollution incidents occurred in 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 cyber attacks on 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 the 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 having duty of 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 deposits. Other price risk represents the risk related to the value of the Group's equity investments, which is 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, 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 as at 31 December 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 affect 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 adequate provisions are made on bad debts and that the credit business is well monitored and protected.

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 monitors and maintains sufficient cash and cash equivalents, increases the scale of advance receipts during the sales season to maintain a better operating cash flow; reasonably allocates long-term and short-term capital requirements and optimizes the capital structure to meet the Company's working capital and repayment of maturing debts.

XIX. CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no contingent liabilities.

XX. CAPITAL COMMITMENT

Table 10:

	As at 31 December 2023 *RMB'000*	As at 31 December 2022 *RMB'000*
Contracted but not provided for – Property, plant and equipment	**59,075**	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.

XXI. HUMAN RESOURCES

As at 31 December 2023, the Group had about 4,493 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. Details of the remuneration policies of the Group are set out in the Corporate Governance Report on pages 59 to 60 of this annual report.

DIRECTORS OF THE COMPANY

Mr. SU Fu – Non-executive Director, Chairman of the Board and the Chairman of Strategy Committee

Mr. SU Fu, aged 49, was appointed as a Non-executive Director and the Chairman of the Board, and the Chairman of the Strategy Committee of the Company in January 2024. Mr. Su graduated from the Department of Economics of Beijing Wuzi University majoring in international trade with a bachelor's degree in economics in July 1995. From July 1995 to March 2000, Mr. Su worked at Beijing Chemical Industry and Light Industry Company and Huaxing Import & Export Trading Co., Ltd. Mr. Su joined Sinochem International Corporation ("Sinochem International", formerly known as Sinochem International Company Limited, a company listed on the Shanghai Stock Exchange under stock code 600500) in March 2000, and held various positions including the assistant general manager and the deputy general manager of Sinochem International. From January 2013 to November 2022, Mr. Su served as the chief executive officer of Sennics Co., Ltd. (formerly known as Jiangsu Sinorgchem Technology Co., Ltd.), a subsidiary of Sinochem International. Mr. Su was the director of the strategy implementation department and the production and operation department of Sinochem Holdings in November 2022 and September 2023, respectively. Mr. Su has been serving as the president of Syngenta Group China since December 2023. Mr. Su has many years of experience in leading the development of enterprises, with a deep understanding of the rules on international business operations. He is also familiar with the chemical industry chain and the competitive landscape of the industry, has the ability to make good strategic judgments, decisions and business operations, and possesses strong capabilities in investment, merger and acquisition, as well as industry integration.

Other than the abovementioned positions in the Company, Mr. Su is also the director and chairman of the board of directors of Jiangsu Yangnong Chemical Co., Ltd. (a company listed on the Shanghai Stock Exchange under stock code 600486).

Mr. WANG Jun – Executive Director

Mr. WANG Jun, aged 39, was appointed as an Executive Director, a member of the Nomination Committee and the Corporate Governance Committee of the Company in March 2023. Mr. Wang graduated from Jiangsu Ocean University with a bachelor's degree in food science and engineering in June 2007, and obtained a master's degree in chemical engineering from China University of Mining and Technology (Beijing) in June 2010. Mr. Wang joined Sinochem Fertilizer in August 2010, holding various positions from August 2010 to January 2022, including a staff member of the technology management department, an assistant general manager of the human resources department, the general manager of Jiangsu branch, the general manager of Jiangsu-Anhui distribution region and the general manager of Central China distribution region. Mr. Wang served as an assistant manager, deputy manager and manager of the technology management department of Sinochem Yunlong Co., Ltd., a subsidiary of the Company, from January 2012 to July 2015, and the general manager of Sinochem Agricultural Ecological Technology (Hubei) Co., Ltd., a subsidiary of the Company, from August 2020 to January 2022. Mr. Wang has been the director of human resource of the Company since January 2022. Having been involved in the fertilizer industry for over a decade, Mr. Wang is familiar with the business of the Company, possesses extensive experience in industry management, technology management, marketing management and human resources management, and has a deep understanding of the strategic development and talent team building of the Company.

Ms. WANG Ling – Executive Director and Chief Financial Officer

Ms. WANG Ling, aged 49, was appointed as an Executive Director and a member of the Corporate Governance Committee of the Company in March 2023, and was appointed as a member of the Strategy Committee of the Company in January 2024. Ms Wang serves as the Chief Financial Officer of the Company since February 2023 and is currently a director of certain subsidiaries of the Company. Ms. Wang graduated from Renmin University of China and obtained a bachelor's degree in international accounting in August 1997, and received a master's degree in accounting from Renmin University of China in July 2001. Ms. Wang joined China Foreign Economy and Trade Trust Co., Ltd., a subsidiary of Sinochem Group Co., Ltd., in July 2001, and served as a staff member of its finance department, investment banking department and trust business department. From November 2003 to August 2021, Ms. Wang held various positions such as the division head of the tax accounting division of the accounting management department, an assistant general manager of the accounting management department, and the general manager of the taxation and property rights division of the finance department of Sinochem Group Co., Ltd.. From August 2021 to January 2023, Ms. Wang served as the general manager of the taxation management division of the finance department of Sinochem Holdings. Ms. Wang has been involved in the financial sector for over two decades, with extensive experience in finance, financial affairs, taxation and property rights management.

Other than the abovementioned positions in the Company, Ms. Wang is also a director of Qinghai Salt Lake Industry Co., Ltd. (a company listed on the Shenzhen Stock Exchange under stock code 000792).

Mr. KO Ming Tung, Edward – Independent Non-executive Director and the Chairman of Nomination Committee

Mr. KO Ming Tung, Edward, aged 63, was appointed as an Independent Non-executive Director of the Company in April 2000. He is also the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee of the Company. Mr. Ko obtained an external bachelor of Laws degree from the University of London in the United Kingdom in August 1986 and is a member of The Law Society of Hong Kong. Mr. Ko is the principal of Messrs. Edward Ko & Company and has been practicing as a solicitor in Hong Kong for more than 32 years.

Other than the directorship in the Company, currently, Mr. Ko is also an independent non-executive director of EverChina Int'l Holdings Company Limited, Chia Tai Enterprises International Limited and China Vered Financial Holdings Corporation Limited, whose shares are listed on the Main Board of the Stock Exchange in Hong Kong. In the last three years of the date of this report, Mr. Ko was an independent non-executive director of Sterling Group Holdings Limited (Main Board), whose shares are listed on the Stock Exchange in Hong Kong.

Mr. LU Xin – Independent Non-executive Director and the Chairman of Remuneration Committee

Mr. LU Xin, aged 60, was appointed as an Independent Non-executive Director of the Company in February 2015. He is also the Chairman of the Remuneration Committee, and a member of the Audit Committee, the Nomination Committee and the Strategy Committee of the Company. Mr. Lu graduated from Dongbei University of Finance and Economics in China in 1987 with a bachelor's degree in Economics, and has been awarded a master of business administration by the University of South Australia in 2006. Mr. Lu worked for the Ministry of Finance of the People's Republic of China from 1987 to 1992, and China Trust and Investment Corporation for Economic Development from 1992 to 1995. Since 1995, Mr. Lu has successively served as the assistant general manager, deputy general manager and managing director of Golden Sino (Holdings) Limited. From 2001 to 2004, Mr. Lu was the executive director and deputy chairman of the Board and the managing director of the Company (formerly known as Wah Tak Fung Holdings Limited). From 2008 to 2010, Mr. Lu was an independent non-executive director of Sino Resources Group Limited, whose shares are listed on the Main Board of the Stock Exchange in Hong Kong.

Other than the directorship in the Company, currently Mr. Lu is also an investment consultant of Wai Chun Group Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange in Hong Kong, and the chairman of the board of directors of World International Consulting Limited. Mr. Lu has over 31 years of experience in finance, investment and corporate management with extensive knowledge about economic activities of Hong Kong and Mainland China.

Mr. TSE Hau Yin, Aloysius – Independent Non-executive Director and the Chairman of Audit Committee

Mr. TSE Hau Yin, Aloysius, aged 76, was appointed as an Independent Non-executive Director of the Company in June 2007. He is also the Chairman of the Audit Committee, and a member of the Nomination Committee and the Remuneration Committee of the Company. Mr. Tse is a graduate of the University of Hong Kong. He is a fellow member of the Institute of Chartered Accountants in England and Wales, and the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Mr. Tse is the past president and a former member of the Audit Committee of the HKICPA. Mr. Tse joined KPMG in 1976, became a partner in 1984 and retired in March 2003. Mr. Tse was a non-executive Chairman of KPMG's operations in the PRC and a member of the KPMG China advisory board from 1997 to 2000. Mr. Tse currently is also a member of the International Advisory Council of The People's Municipal Government of Wuhan.

Other than the directorship in the Company, currently Mr. Tse is also an independent non-executive director of SJM Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange in Hong Kong. Mr. Tse was an independent non-executive director of the following companies listed on the Main Board of the Stock Exchange in Hong Kong: (i) China Huarong Asset Management Co., Ltd. (currently known as China CITIC Financial Asset Management Co., Ltd.) from March 2015 to December 2023; (ii) CNOOC Limited from June 2005 to May 2023; (iii) China Telecom Corporation Limited from September 2005 to January 2023; (iv) China Construction Bank Corporation from November 2004 to June 2010 and its wholly owned subsidiary CCB International (Holdings) Limited (not listed on the Main Board of the Stock Exchange in Hong Kong) from March 2013 to December 2022; (v) Daohe Global Group Limited from May 2005 to December 2016; and (vi) Wing Hang Bank Limited (currently known as OCBC Bank (Hong Kong) Limited) from November 2004 to June 2021.

SENIOR MANAGEMENT OF THE COMPANY

Ms. CHEN Shengnan – Deputy General Manager

Ms. CHEN Shengnan, aged 45, is the Deputy General Manager of the Company. Ms. Chen graduated from Nankai University with a bachelor's degree in chemistry in July 2000 and from Nankai University with a master's degree in polymer physics and chemistry in July 2003. Ms. Chen began her career and joined Sinochem Fertilizer in July 2003 and successively served as a staff member of the potash fertilizer department, assistant general manager of the potash fertilizer division, as well as deputy general manager, executive deputy general manager and general manager of the potash fertilizer department, and has been the general manager of the fertilizer import department of Sinochem Group since March 2016. She served as the assistant general manager of the Company, deputy general manager of the basic fertilizer division and general manager of the potash fertilizer department from January 2017 to May 2020. Ms. Chen was promoted to her present position in May 2020 and has concurrently served as general manager of Potash division and a director of certain subsidiaries of the Company and the vice president of Qinghai Salt Lake Industry Co., Ltd. (a company listed on the Shenzhen Stock Exchange under stock code 000792).

Ms. WANG Fang – Deputy General Manager

Ms. WANG Fang, aged 51, is the Deputy General Manager of the Company. Ms. Wang graduated from Guizhou University of Finance and Economics with a bachelor's degree in trade and economics in July 1994 and obtained a master's degree in business administration from Guizhou University in July 2005. Ms. Wang began her career in July 1994 and previously served as a staff member of the sales and transportation department, manager of the marketing department, assistant general manager and head of general office, and deputy general manager of the sales company of Wengfu (Group) Limited Liability Co,. Ms. Wang joined Sinochem Fertilizer in March 2012 and successively held positions such as deputy general manager of phosphate compound fertilizer department, deputy general manager (presiding over the work) of phosphate fertilizer department and general manager of phosphate fertilizer department. She served as the assistant general manager of the Company, deputy general manager of the basic fertilizer division, and general manager of the phosphate fertilizer department from January 2017 to May 2020. Ms. Wang was promoted to her present position in May 2020, and has concurrently served as general manager of Phoschem division and a director of certain subsidiaries of the Company.

Recognizing the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, Sinofert Holdings Limited and its Board are committed to maintaining a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practices on corporate governance and compliance with the applicable corporate governance standards contained in relevant codes as set out in the Listing Rules of the Stock Exchange.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Corporate Governance Code contained in Appendix C1 to the Listing Rules in effect for the year ended 31 December 2023 includes the mandatory 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 2023, 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 certain connected transactions and continuing connected transactions by circulation of written resolutions in lieu of physical board meetings, for which a substantial shareholder or a director of the Company was regarded as having material interests therein. As the then Directors of the Company were living and working apart, and have different business travelling plans, 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 19 June 2023 (the "2023 AGM"), Mr. Liu Hongsheng, 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 2023 AGM, Mr. Liu authorized and the Directors attending the meeting elected Mr. Tse Hau Yin, Aloysius, the Independent Non-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 2023 AGM and were available to answer relevant questions, which was in compliance with other part of code provision F.2.2.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules. The Company has made specific enquiries with all Directors, and the Directors have confirmed that they had complied with the required standards set out in the Model Code for the year under review.

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

CORPORATE MISSION AND CULTURE

The Group's mission is to be based in China and allocate high-quality resources from the global market to serve China's food security and agricultural production. Based on a global perspective, the Group develops resources, production, technology, marketing and services; uses science and technology to serve the society, leads industry standards and promotes the development of the industry; focuses on the development of upstream and downstream related industries with crop nutrition products as the core and serves farmers as its purpose; and becomes an industry promoter of agrochemical services for farmers. The Group also strives to become the "leader in bio-fertilizer and soil health innovation". The Group constantly aspires to pursue resource and environmental friendliness, meet the new demands of the agricultural industry, practise green and sustainable development as well as continue the promotion of stable and rapid corporate growth to deliver value and returns to the shareholders, and to contribute to the modernized development of the agricultural industry.

BOARD OF DIRECTORS

The Board of Directors of the Company directs, monitors and supervises the management, business, strategic planning and financial performance of the Company and its subsidiaries, and the Board considers that enhancing value for shareholders is a duty of the Directors.

Board composition

As at 31 December 2023, the Board consisted of six members, including two Executive Directors, namely Mr. WANG Jun and Ms. WANG Ling, one Non-executive Director, Mr. LIU Hongsheng, and three Independent Non-executive Directors, namely Mr. KO Ming Tung, Edward, Mr. LU Xin and Mr. TSE Hau Yin, Aloysius.

During the year and subsequent to 31 December 2023, the following changes occurred in the composition of the Board:

1. On 6 January 2023, Mr. J. Erik Fyrwald tendered his resignation as a Non-executive Director and the Chairman of the Board of the Company due to his intention to focus on his other work commitments and engagements; on the same date, Mr. Liu Hongsheng was appointed to fill this vacancy. Subsequently on 24 January 2024, Mr. Liu Hongsheng tendered his resignation as a Non-executive Director and the Chairman of the Board of the Company due to adjustment of work arrangements. On the same date, Mr. Su Fu was appointed as a Non-executive Director and the Chairman of the Board of the Company.

2. On 6 January 2023, Mr. Qin Hengde tendered his resignation as an Executive Director and the Chief Executive Officer of the Company due to adjustment of work arrangements. On the same date, Mr. Ma Yue was appointed as an Executive Director and the Chief Executive Officer of the Company. Mr. Ma Yue passed away on 29 August 2023.

3. On 6 January 2023 and 20 March 2023, Mr. Feng Mingwei and Mr. Harry Yang tendered their respective resignations as an Executive Director of the Company as they reached the statutory retirement age.

4. On 20 March 2023, Mr. Wang Jun and Ms. Wang Ling were appointed as Executive Directors of the Company.

The biographical details of the current Directors are set out on pages 45 to 47 of this annual report.

Executive Directors

All of the Executive Directors possess the qualification and experiences in their respective areas of responsibility, have extensive experience in corporate management and operations, and have good knowledge on the operations and structure of the Group. Under the leadership of the Chairman of the Board, the Executive Directors are able to maintain the effective management of the Group's business.

Non-executive Director

The Non-executive Director of the Company has strong professional background and is experienced in corporate management and leading the development of enterprise, who provide professional opinion and analysis to the Board effectively.

Independent Non-executive Directors

All of the three Independent Non-executive Directors are experienced professionals with different expertise in accounting, finance and legal aspects. Their mix of skills and experience, and their independent view on matters of the Group provide constructive comments and suggestions to the Board and safeguard the interests of the shareholders in general and the Company as a whole. The Company has a mechanism in place to ensure that comments and suggestions received from the Independent Non-executive Directors will be summarized and passed to the management team for follow up. Any replies on the matters will either be emailed to the Board or submitted to the Board in the subsequent meetings. The Board reviewed the mechanism and was satisfied with its implementation and effectiveness during the year.

Appointment, re-election and removal of Directors

The current term of office for the Executive Directors and the Non-executive Directors (including the Independent Non-executive Directors) of the Company is fixed for three years. Pursuant to the Bye-laws of the Company, every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years, and shall be subject to re-election by shareholders at next following annual general meeting.

A person may be appointed as a member of the Board at any time either by the shareholders in a general meeting or by the Board upon recommendation by the Nomination Committee of the Company. Any Director appointed by the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

Independence of the Board

The Company has a strong element of independence on the Board, providing independent and objective oversight on strategic issues and performance matters. The Audit Committee, Remuneration Committee and Nomination Committee are each chaired by an Independent Non-executive Director.

The Board has noticed that Mr. Ko Ming Tung, Edward and Mr. Tse Hau Yin, Aloysius, both Independent Non-executive Director of the Company, have served the Board for more than nine years. Pursuant to code provision B.2.3 set out in the Corporate Governance Code, inter alia, if an independent non-executive director has served more than nine years, such director's further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should state why the board (or the nomination committee) believes that the director is still independent and should be re-elected. In this regard, the re-appointment of each of Mr. Ko and Mr. Tse as Independent Non-executive Director of the Company were approved by shareholders in separate resolution at the annual general meeting of the Company held on 19 June 2023 and 7 June 2021, respectively. The remaining Independent Non-executive Director of the Company, Mr. Lu Xin, completed his nine year of service with the Company on 25 February 2024. Mr. Lu's further re-appointment at annual general meeting of the Company will also be approved by shareholders in separate resolution.

While serving more than nine years could be relevant to the determination of independence, it is well recognized that an individual's independence cannot be determined arbitrarily on the basis of a set period of time. In assessing the independence of Independent Non-executive Directors, the Board and the Nomination Committee will consider individual directors' character and judgement as demonstrated by their commitment and contribution to the Board during their years of service and other relevant factors. The Board is of the view that Mr. Ko, Mr. Tse and Mr. Lu, despite their length of service, have always expressed their views independently, objectively and impartially, constructively challenging the views of the other directors and testing the arguments whenever necessary. Their length of service also means they have in depth knowledge of the Company and the challenges that it faces which assisted greatly with the determination of long term goals and strategies. The Board is satisfied that Mr. Ko, Mr. Tse and Mr. Lu remain independent despite their years of service and that they will continue to effectively contribute as board members. In addition, the Company has received, from each of the Independent Non-executive Directors, an annual confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. Based on the above, the Board is of the view that each of the Independent Non-executive Directors meets the independence guidelines as set out in Rule 3.13 of the Listing Rules and that they are able to continue to fulfill their roles as required. Since all the Independent Non-executive Directors of the Company have served more than nine years on the Board, the Company is planning to appoint a new Independent Non-executive Director to the Board as soon as appropriate or at the forthcoming annual general meeting, in order to comply with B.2.4 of the code provision.

In addition to the above, the following Directors of the Company hold senior positions in Syngenta Group, the indirect controlling shareholders of the Company:

- From 1 January 2023 and up to 6 January 2023 – Mr. J. Erik Fyrwald, Mr. Qin Hengde and Mr. Feng Mingwei
- From 6 January 2023 up to 29 August 2023 – Mr. Ma Yue
- From 6 January 2023 up to 24 January 2024 – Mr. Liu Hongsheng

- From 24 January 2024 up to the date of this report – Mr. Su Fu

Save as described above, there is no other relationship among the members of the Board and, in particular, between the Chairman and the Chief Executive Officer.

Division of the responsibilities between the Board of Directors and the management

The Board is responsible for reviewing and approving the Company's strategy management, financial management, investment management, asset disposal and other matters, implementing the resolutions passed in the general meetings and supervising the management team; and the management team under the leadership of the Chief Executive Officer or the management representative authorized by the Board in the transition period is responsible for formulating the strategic plan and operation goals of the Company, compiling and executing the annual budget and setting out annual investment policies, etc.

Responsibilities of Chairman and Chief Executive Officer

The Board has authorized the management team to handle daily operational matters under the instruction and supervision of the Chief Executive Officer. During the year ended 31 December 2023, Mr. J. Erik Fyrwald and Mr. Liu Hongsheng, as the Chairman of the Board during their respective term of office, took the responsibility to lead and ensure the effective management of the Board; while Mr. Qin Hengde and Mr. Ma Yue, as the Chief Executive Officer, and Ms. Chen Shengnan, the management representative authorized by the Board in the transition period, during their respective term of office, took the responsibility for the effective implementation of the policies formulated by the Board and the management of the businesses and operations of the Group.

During the year, Mr. Liu Hongsheng met once with all Independent Non-executive Directors of the Company without Executive Directors' present. During the meeting, the Independent Non-executive Directors communicated their comments on the overall business development and financial related matters of the Group. They also discussed about the current structure of the Board and the management team of the Company. The Chairman accepted all these constructive comments and instructed management team to follow up, if appropriate.

Major duties of the Board

The Board is primarily responsible for the following matters:

1. to formulate the purpose, values and strategy of the Company and to align the Company's culture with such purpose, values and strategy;

2. to review the financial performance and results of the Group;

3. to review the dividend policy of the Company;

4. to approve and monitor material acquisitions, investment, asset transactions and any other significant expenditures of the Group; and

5. to supervise internal risk management policy of the Group.

The Board is also responsible for overseeing the preparation of the annual consolidated financial statements which ensures a true and fair view of the state of affairs and of the results and cash flows of the Group for the year. In preparing the consolidated financial statements for the year ended 31 December 2023, the Board have:

1. approved the adoption of the applicable Hong Kong Financial Reporting Standards;

2. selected suitable accounting policies and applied them consistently throughout the year covered by the consolidated financial statements;

3. made judgements and estimates that are prudent and reasonable, and ensured the consolidated financial statements are prepared on a going concern basis; and

4. ensured that the consolidated financial statements are prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the Listing Rules and the applicable accounting standards.

The Board recognizes that high quality corporate reporting is important in enhancing the relationship between the Company and its stakeholders. The Board aims at presenting a balanced, clear and comprehensive vision of the performance, position and prospects of the Group in all corporate communications.

Continuous professional development

The Company considers continuous professional development is important for Directors in maintaining up-to-date knowledge on the business operations of the Company as well as the regulations in the capital market. In this regard, during the year, the Company provided professional training to Directors and provided regular updates on new issues and/or changes in the regulatory environments, including changes in Listing Rules, Corporate Governance Code and related regulatory requirements, if any. The Company also organized a formal and comprehensive induction programme on 14 April 2023 to newly appointed Directors during the year ended 31 December 2023, namely Mr. Liu Hongsheng, Mr. Ma Yue, Mr. Wang Jun and Ms. Wang Ling, for the purpose of giving an overview of the business and operations of the Group and a proper understanding of their responsibilities and obligations under the Listing Rules, Corporate Governance Code and applicable laws and regulatory requirements. In respect of the appointment of Mr. Su Fu as Non-executive Director of the Company, Mr. Su has obtained legal advice on 24 January 2024 as regards the requirements under the Listing Rules that are applicable to him as a director of the Company and the possible consequences of making a false declaration or giving false information to the Stock Exchange. Mr. Su has confirmed that he understands his obligations as a director of the Company.

During the year ended 31 December 2023, the Company arranged a seminar, which were conducted by the Group's research and development team, on the new developments of the Group's Bio+ technology and strategy. All the then Directors have attended the seminar. In addition, the Directors confirmed that they participated in continuous professional development to develop and refresh their knowledge and skills, which ensure that their contributions to the Board remain informed and relevant. The Company also provided regular updates to all Directors in respect of the business and operations of the Group through monthly reports.

The Directors informed the Company that they had received the following training and continuous professional development during the year:

	Type of training	
	Reading regulatory updates	**Attend forums / seminars / briefings**
Executive Directors		
Mr. Ma Yue *(Chief Executive Officer)* *(note 2)*	✓	✓
Mr. Wang Jun *(note 3)*	✓	✓
Ms. Wang Ling *(note 3)*	✓	✓
Mr. Harry Yang *(note 4)*	✓	✓
Non-executive Director		
Mr. Liu Hongsheng *(Chairman)* *(note 5)*	✓	✓
Independent Non-executive Directors		
Mr. Ko Ming Tung, Edward	✓	✓
Mr. Lu Xin	✓	✓
Mr. Tse Hau Yin, Aloysius	✓	✓

Notes:

1. Mr. J. Erik Fyrwald, Mr. Qin Hengde and Mr. Feng Mingwei was the Directors of the Company from 1 January 2023 to 6 January 2023 (date of resignation).

2. Mr. Ma Yue was appointed as a Director of the Company on 6 January 2023 and passed away on 29 August 2023.

3. Mr. Wang Jun and Ms. Wang Ling were appointed as the Directors of the Company on 20 March 2023.

4. Mr. Harry Yang resigned as a Director of the Company on 20 March 2023.

5. Mr. Liu Hongsheng was appointed as a Director of the Company on 6 January 2023 and resigned from his office on 24 January 2024.

Board meetings

For the year ended 31 December 2023, the Board held five meetings to discuss and approve the Group's strategies and planning, operational budgets, the Company's annual report, interim report, dividend proposals, certain continuing connected transactions, appointment of directors and other significant matters. The Board had also approved certain proposals in respect of amendments to Bye-law, internal policies, connected transactions, continuing connected transactions, disclosable transactions and other matters, by circulation of written resolutions during the year. The attendance rates of the members of the Board at the aforesaid Board meetings during the year ended 31 December 2023 are as follows:

	Attendance rate
Executive Directors	
Mr. Ma Yue *(Chief Executive Officer)* *(note 2)*	3/3
Mr. Wang Jun *(note 3)*	5/5
Ms. Wang Ling *(note 3)*	5/5
Non-executive Director	
Mr. Liu Hongsheng *(Chairman)* *(note 4)*	5/5
Independent Non-executive Directors	
Mr. Ko Ming Tung, Edward	5/5
Mr. Lu Xin	5/5
Mr. Tse Hau Yin, Aloysius	5/5

Notes:

1. Mr. J. Erik Fyrwald, Mr. Qin Hengde and Mr. Feng Mingwei resigned as Directors of the Company on 6 January 2023 and Mr. Harry Yang resigned as a Director of the Company on 20 March 2023. No meeting of the Board was held prior to their respective dates of resignations.

2. Mr. Ma Yue was appointed as a Director of the Company on 6 January 2023 and passed away on 29 August 2023.

3. Mr. Wang Jun and Ms. Wang Ling were appointed as the Directors of the Company on 20 March 2023.

4. Mr. Liu Hongsheng was appointed as a Director of the Company on 6 January 2023 and resigned from his office on 24 January 2024.

COMMITTEES OF THE BOARD OF DIRECTORS

Audit Committee

The Audit Committee of the Company was established by the Board in 1999 with its written terms of reference. The Audit Committee currently comprises three Independent Non-executive Directors of the Company. The Chairman of the Audit Committee is Mr. Tse Hau Yin, Aloysius and the other members are Mr. Ko Ming Tung, Edward and Mr. Lu Xin.

The terms of reference of the Audit Committee, which have been revised in accordance with the then applicable Corporate Governance Code, are available on the Company's website. The current terms of reference of the Audit Committee are summarized in the following aspects, including but not limited to (1) monitoring the relationship with the external auditors including but not limited to reviewing and monitoring the independence and objectiveness of the external auditor and the effectiveness of audit procedures in accordance with the applicable standards; (2) reviewing the Group's financial information; and (3) overseeing the Group's financial reporting system, risk management and internal control procedures.

The Audit Committee held four meetings during the year ended 31 December 2023. The Chief Financial Officer of the Company and the external auditors also attended the meetings. The Audit Committee had also approved the proposals in respect of general policies on non-assurance services and re-appointment of auditors by circulation of written resolutions during the year. The attendance rates of each of the committee members at the aforesaid meetings during the year ended 31 December 2023 are as follows:

	Attendance rate
Independent Non-executive Directors	
Mr. Tse Hau Yin, Aloysius *(Chairman)*	4/4
Mr. Ko Ming Tung, Edward	4/4
Mr. Lu Xin	4/4

The Audit Committee had completed the following work during the year:

1. reviewed and commented on the Company's annual and interim reports (including the consolidated financial statements contained therein), and result announcements, and recommended the same for the Board's approval;

2. reviewed and discussed significant issues identified in the preparation of the consolidated financial statements, including those related to accounting records, financial reports and internal control systems;

3. reviewed the independence of the external auditors, considered and made recommendation to the Board on the re-appointment of external auditors and the corresponding audit fee for the year ended 31 December 2023, and reviewed and approved the general policies in respect of non-assurance services provided by external auditors;

4. discussed the audit plan, scope and responsibility before the commencement of work with the external auditors;

5. reviewed and evaluated annually the effectiveness of the Company's corporate governance practices and the Group's financial controls (including the adequacy of resources, staff's qualifications and experience in the Group's accounting and financial reporting functions), internal controls and risk management systems, procedures and arrangements to enable employees to raise concerns about possible improprieties in financial reporting, internal controls or other matters, based on the documents submitted and presented by the Finance Department, Risk Management personnel and the Department of Discipline Inspection (Department of Audit and Law) in the meetings of the Audit Committee, and made sufficient communications with the management on related matters. The results of such review were satisfactory;

6. discussed the Group's internal audit plan and the related work with the Department of Discipline Inspection (Department of Audit and Law) (which is responsible for the internal audit functions of the Company) and was satisfied with their report and findings;

7. discussed the Group's risk management plan and the related work with the Risk Management personnel and was satisfied with their report and findings;

8. met with the external auditors without the management's participation;

9. reviewed the continuing connected transactions conducted by the Group; and

10. reviewed the existing terms of reference of the Audit Committee.

Remuneration Committee

The Remuneration Committee of the Company was established by the Board in August 2005 with its written terms of reference. The Remuneration Committee currently comprises three Independent Non-executive Directors. The Chairman of the Remuneration Committee is Mr. Lu Xin, and the other members are Mr. Ko Ming Tung, Edward and Mr. Tse Hau Yin, Aloysius.

The terms of reference of the Remuneration Committee, which have been revised in accordance with the then applicable Corporate Governance Code, are available on the Company's website. The current terms of reference of the Remuneration Committee are summarized in the following aspects, including but not limited to (1) making recommendations to the Board on the policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (2) reviewing and approving the Executive Directors' and senior management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board; and (3) determining, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment), and making recommendations to the Board on the remuneration of Non-executive Directors.

The Remuneration Committee met twice during the year ended 31 December 2023. The Remuneration Committee had also approved or passed a few proposals by circulation of written resolutions during the year, and had reported the relevant proposals to the Board for review or approval, where applicable, in subsequent communications to the Board. The attendance rates of each of the committee members at the aforesaid meetings during the year ended 31 December 2023 are as follows:

	Attendance rate
Independent Non-executive Directors	
Mr. Lu Xin *(Chairman)*	2/2
Mr. Ko Ming Tung, Edward	2/2
Mr. Tse Hau Yin, Aloysius	2/2

The Remuneration Committee had completed the following work during the year:

1. evaluated the performance of Executive Directors and senior management and approved the proposals on performance bonus and appraisal award for Executive Directors and senior management for the year 2022, mainly based on their achievements in various performance and/or strategic targets established in the year before;

2. reviewed the remuneration package and other major benefits of the Chief Executive Officer for the year 2023. The remuneration package (including cash compensation and bonus scheme) of other Executive Directors and senior management for the year 2023 will remain unchanged until further approval;

3. approved the remuneration package and other major benefits of newly appointed Directors;

4. approved the appointment of remuneration consultant; and

5. reviewed the existing terms of reference of the Remuneration Committee.

Remuneration policy of the Group

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. Through reasonable design on remuneration structure and mechanism on performance evaluation, the Group aims 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. 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 and results on performance evaluation. 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 determined based on the overall operating results and strategic advancement 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 2023, the Group had about 4,493 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 2023, the Group provided around 7,378 person-times or 73,883 hours of training (any training organized by the subsidiaries has not been included in these numbers) to employees. The training courses covered areas such as strategy implementation, leadership enhancement, marketing management, safe production, compliance risks, general working skills and practical cases. 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 and 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.

Nomination Committee

The Nomination Committee of the Company was established by the Board in August 2005 with its written terms of reference. The Nomination Committee currently comprises four members. The Chairman of the Nomination Committee is Mr. Ko Ming Tung, Edward and the other members are Mr. Lu Xin, Mr. Tse Hau Yin, Aloysius and Mr. Wang Jun. Except for Mr. Wang Jun who is an Executive Director, the remaining three members are all Independent Non-executive Directors. Mr. Harry Yang, the former Executive Director of the Company, was a member of the Nomination Committee in the beginning of the year 2023. Mr. Yang resigned from this position on 20 March 2023; Mr. Wang Jun, the then newly appointed Executive Director of the Company, was appointed as a member of the Nomination Committee on the same date.

The terms of reference of the Nomination Committee, which have been revised in accordance with the then applicable Corporate Governance Code, are available on the Company's website. The current terms of reference of the Nomination Committee are summarized in the following aspects, including but not limited to (1) formulating nomination policy for the Board's consideration and implementing the Board's approved nomination policy; (2) determining the criteria to select and recommend candidates for directorship; (3) reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (4) identifying individuals suitably qualified to become Board members for Board's consideration on the selection of individuals nominated for directorships; and (5) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive.

The Nomination Committee met twice during the year ended 31 December 2023. The attendance rates of each of the committee members at the aforesaid meeting during the year are as follows:

	Attendance rate
Independent Non-executive Directors	
Mr. Ko Ming Tung, Edward *(Chairman)*	2/2
Mr. Lu Xin	2/2
Mr. Tse Hau Yin, Aloysius	2/2
Executive Director	
Mr. Harry Yang *(note 1)*	1/2
Mr. Wang Jun *(note 2)*	0/0

Notes:

1. Mr. Harry Yang resigned as a member of the Nomination Committee on 20 March 2023.

2. Mr. Wang Jun was appointed as a member of the Nomination Committee on 20 March 2023. Subsequent to his appointment and up to to 31 December 2023, no meeting was held by the Nomination Committee.

The Nomination Committee had completed the following work during the year:

1. reviewed the proposals in respect of the appointments of Mr. Liu Hongsheng, Mr. Ma Yue, Mr. Wang Jun and Ms. Wang Ling as Directors of the Company, and after making reference to the selection criteria including reputation for integrity, accomplishment and experience in the relevant business sector, professional and educational background, and potential time commitment for the Board and the Company, the Nomination Committee approved and submitted the nomination recommendations to the Board;

2. reviewed the structure, size and composition, including board diversity, of the Board. On 20 March 2023, the Board has approved the appointment of one female director to the Board, achieving the gender diversity target of the Company made last year. After reviewing the then structure, size and composition of the Board and its policy on board diversity, the Nomination Committee was satisfied with its implementation and effectiveness;

3. reviewed the terms of appointment of Directors and no recommendations to the Board is required;

4. nominated the Directors to be retired by rotation to the Board and made recommendation for their re-election in the forthcoming annual general meeting;

5. reviewed the independence of the Independent Non-executive Directors and made recommendations to the Board on their independence. The Nomination Committee also submit reminder to the Board in response to code provision B.2.4 of the Corporate Governance Code and suggested the Board to look for a suitable candidate to be appointed as a new Independent Non-executive Director of the Company before the annual general meeting to be held in June 2024 because all existing three Independent Non-executive Directors of the Company have been serving the Company for more than nine years; and

6. reviewed the existing terms of reference of the Nomination Committee.

Policy in respect of nomination of directors of the Company

The Board adopted a nomination policy on 27 March 2013 for the purpose of setting out the procedures for shareholders or Directors to propose a person for election as a Director of the Company, and to set out the general guidelines and procedures for the members of the Nomination Committee in the nominee identification, evaluation and recommendation processes.

Bye-law 85 (as revised on 17 June 2022) of the Company provides that no person, other than a Director retiring at the meeting, shall be eligible for election as a Director at any general meeting unless:

1. he/she is recommended by the Directors; or

2. a notice signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the Head Office *(Note 1)* or at the Registration Office *(Note 2)*, provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and that the period for lodgement of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

Note 1: "Head Office" means the principal place of business of the Company in Hong Kong.

Note 2: "Registration Office" means the Company's branch share registrar and transfer office in Hong Kong.

Upon receipt of the notices as mentioned above, the Company shall inform the Nomination Committee as soon as practicable. The Nomination Committee shall review the profile of the candidate(s) and assess the suitability of the candidate(s) for the Board's consideration and recommendation to the shareholders for consideration. In the selection process, the Nomination Committee makes reference to the criteria including, inter alia:

1. reputation for integrity, accomplishment and experience in the relevant business sector;

2. professional and educational background;

3. potential time commitment for the Board and/or committee responsibilities; and

4. objective criteria with due regard for the benefits of diversity on the Board.

As a good corporate governance practice, every Director or Nomination Committee member shall abstain from voting on the proposition of himself/herself for election by shareholders.

To enable shareholders to make an informed decision on their election at a general meeting, the names of all candidates recommended by the Nomination Committee and the Board to be elected or re-elected as a Director in general meeting, together with his/her biographical details as set out in Rule 13.51(2) of the Listing Rules, are set out in a circular to be sent to shareholders prior to the meeting.

Board diversity policy of the Company

The Board adopted a board diversity policy on 27 March 2013 for the purpose of setting out the approach to achieve diversity on the Board. The policy states that, in designing the Board's composition, board diversity has been considered from a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on the candidates' talents. Candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives mentioned above. The final decision will be based on merit and contribution that the selected candidates will bring to the Board.

During the year, the Nomination Committee had reviewed the Board composition of the Company and considered that the then existing Board's composition is diversified in terms of age, gender, years of service, position, skills and knowledge. During the year, the Board achieved its gender diversity target by the addition of one female director, Ms. Wang Ling, to the Board on 20 March 2023. In order to promote gender diversity, the Group offered all rounded trainings to both male and female employees who are considered as having suitable experience, skills and knowledge of the Group's operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance and research and development. The Board considered that such strategy will offer chances for the Board to identify capable employees to be nominated as a member of the Board in future with an aim to providing the Board with pipeline of both male and female candidates to achieve gender diversity in the Board in the long run. For the year ended 31 December 2023, the Group has total headcount of 4,493 employees (including senior management), of which 3,617 employees are male and 876 employees are female. The Board considered that such gender ratio of employees is appropriate to the operations of the Group.

The table below shows the headcount analysis on the diversity of the then Board members as at 31 December 2023:

	Years of Service as Board members			
Age	**Less than 5 years**	**6 to 10 years**	**Over 10 years**	**Total**
Age 36-45	1	–	–	1
Age 46-55	1	–	–	1
Age 56-65	1	1	1	3
Age 66-75	–	–	1	1
Total	3	1	2	6

	Skills and Knowledge		
Position	**Business & Corporate Management**	**Finance and Accounting Management**	**Legal Expertise**
Executive Director	2	1	–
Non-executive Director	1	–	–
Independent Non-executive Director	3	2	1

Corporate Governance Committee

The Corporate Governance Committee of the Company was established by the Board in March 2012 with its written terms of reference. The Corporate Governance Committee currently comprises three members, including Mr. Wang Jun and Ms. Wang Ling, Executive Directors of the Company, and Ms. Cheung Kar Mun, Cindy, the Company Secretary of the Company. During the year ended 31 December 2023, there were changes in the composition of the Corporate Governance Committee, including the resignation of Mr. Qin Hengde as the Chairman on 6 January 2023, appointment of Mr. Ma Yue as the Chairman on 6 January 2023 (who passed away on 29 August 2023), resignations of Mr. Feng Mingwei and Mr. Harry Yang as members on 6 January 2023 and 20 March 2023 respectively, and the appointments of Mr. Wang Jun and Ms. Wang Ling as members on 20 March 2023.

The terms of reference of the Corporate Governance Committee are available on the Company's website. The current terms of reference of the Corporate Governance Committee are summarized in the following aspects, including but not limited to (1) developing and reviewing the corporate governance principles and policies of the Company and making recommendations to the Board, and implementing the corporate governance policies laid down by the Board; (2) reviewing and monitoring the corporate governance policies and practices to ensure compliance with legal and regulatory requirements; (3) developing, reviewing and monitoring the code of conduct and guidelines in relation to corporate governance matters applicable to the Company's Directors and employees; (4) reviewing the Company's compliance with the Corporate Governance Code and related rules; (5) preparing the annual Corporate Governance Report; and (6) reviewing regularly the contribution required from Directors to perform their responsibilities to the Company, and the time commitments.

The Corporate Governance Committee met once during the year ended 31 December 2023. The attendance rates of each of the committee members at the aforesaid meeting are as follows:

	Attendance rate
Executive Directors	
Mr. Ma Yue *(Chairman)* *(note 2)*	1/1
Mr. Harry Yang *(note 3)*	1/1
Mr. Wang Jun *(note 4)*	0/0
Ms. Wang Ling *(note 4)*	0/0
Management	
Ms. Cheung Kar Mun, Cindy	1/1

Notes:

1. Mr. Qin Hengde and Mr. Feng Mingwei resigned as the Chairman and a member of the Corporate Governance Committee respectively on 6 January 2023. Prior to their respective dates of resignation, no meeting was held by the Corporate Governance Committee.

2. Mr. Ma Yue was appointed as the Chairman of the Corporate Governance Committee on 6 January 2023. He passed away on 29 August 2023 and ceased to be the Chairman of the Corporate Governance Committee.

3. Mr. Harry Yang resigned as a member of the Corporate Governance Committee on 20 March 2023.

4. Mr. Wang Jun and Ms. Wang Ling was appointed as the member of the Corporate Governance Committee on 20 March 2023. Subsequent to their appointments and up to to 31 December 2023, no meeting was held by the Corporate Governance Committee.

The Corporate Governance Committee had completed the following work during the year:

1. reviewed the Company's policies and practices on corporate governance and made recommendations to the Board;

2. reviewed and monitored the training and continuous professional development of Directors and senior management;

3. monitored the Company's corporate governance practices and ensured compliance with the Corporate Governance Code and the Listing Rules;

4. reviewed and monitored the code of conduct applicable to employees and Directors;

5. reviewed the Company's compliance with the Corporate Governance Code and the disclosures in the Corporate Governance Report. In respect of the new requirement for addition of new independent non-executive directors ("INEDs") due to all INEDs are long-serving INEDs, the Corporate Governance Committee reported the details of the requirements to the Board and formulated action plans to comply with such requirements;

6. reviewed the following aspects in respect of INEDs during the relevant year: (a) the recruitment process of INEDs; (b) the number of INEDs and their time contribution; (c) assessed and evaluated INEDs' contribution; and (d) the channels where independent views were available. The Corporate Governance Committee was satisfied with the result of the review and confirmed that such review will be performed on an annual basis;

7. monitored the Company's process in the preparation of the Environmental, Social and Governance Report ("ESG Report") and reviewed the related disclosures. The Corporate Governance Committee was satisfied with the process and noted in the independent assurance statement that the disclosure for general disclosures and key performance indicators of environmental and social subject areas in the ESG Report for the year ended 31 December 2022 have been provided in accordance with the "Comply or Explain" provision, in all material aspects, in alignment with the ESG Reporting Guide of the Stock Exchange; and

8. reviewed the existing terms of reference of the Corporate Governance Committee.

Strategy Committee

The Strategy Committee of the Company was established by the Board on 24 January 2024 with its written terms of reference. The Strategy Committee currently comprises three members. The Chairman of the Strategy Committee is Mr. Su Fu (Non-executive Director) and the other members are Ms. Wang Ling (Executive Director) and Mr. Lu Xin (Independent Non-executive Director).

The terms of reference of the Strategy Committee are available on the Company's website. The current terms of reference of the Strategy Committee are summarized in the following aspects, including but not limited to (1) studying and making recommendations on the Company's mid- to long-term development strategies; (2) reviewing and making recommendations on the Company's mid- to long-term strategic goals and business development plans; (3) reviewing the Company's business policies and mid- to long-term investment and/or financing plans; (4) studying and making recommendations on other major matters affecting the development of the Company; and (5) reviewing the implementation of the above matters.

COMMUNICATION WITH SHAREHOLDERS

Shareholders communication policy

The Company has adopted the shareholders communication policy (the "Shareholders Communication Policy") in March 2012 to ensure the shareholders, and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company. The full version of Shareholders Communication Policy is available on the Company's website.

In accordance with the Shareholders Communication Policy, shareholders and/or investment community can communicate their views on various matters in the following channels:

- For questions about shareholdings, contact the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

- For information about the Company to the extent that are publicly available, visit the Company's website at www.sinofert.com or contact the principal place of business of the Company at Unit 4705, Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong.

- For any other questions about the Company, contact the Company's investor relations at ir_sinofert@sinochem.com, or appear in general meetings of the Company, where Chairmen of Board committees or delegates, appropriate management executives and external auditors will attend to answer shareholders' questions.

During the year, the Company reviewed the Shareholders Communication Policy and considered that the Company has provided sufficient channels for shareholder to communicate their views and comments on the business and operations of the Group. The Company had received certain inquires in general meetings and proper actions or replies had been made. Overall, the Company was satisfied with the implementation and effectiveness of the policy conducted during the year.

Dividend policy

The Company's dividend policy is to make dividend payout to shareholders when the Group record net profit during a financial year. The dividend payout ratio is generally at the range from 15% to 30% on the profit attributable to owners of the Company of the relevant year. In determining the specific dividend payout ratio, the Board will consider the financial performance, financial position, cash flows and capital commitment situation of the Group for the relevant year, and also the plans and requirements on future financing of the Group.

General meetings

Annual general meeting is one of the principal channels for the Company to communicate with the shareholders.

2023 AGM of the Company was held on 19 June 2023, in which Mr. Tse Hau Yin, Aloysius, the Independent Non-executive Director of the Company, chaired the meeting on behalf of the Board. In addition, the external auditors of the Company and respective chairmen or representatives of the audit, remuneration, nomination and corporate governance committees of the Company attended the 2023 AGM and were available to answer relevant questions. The attendance rates of each of the Directors at the 2023 AGM are as follows:

	Attendance rate
Executive Directors	
Mr. Ma Yue *(Chief Executive Officer)* *(note 2)*	1/1
Mr. Wang Jun *(note 3)*	1/1
Ms. Wang Ling *(note 3)*	1/1
Non-executive Director	
Mr. Liu Hongsheng *(Chairman)* *(note 4)*	0/1
Independent Non-executive Directors	
Mr. Ko Ming Tung, Edward	1/1
Mr. Lu Xin	1/1
Mr. Tse Hau Yin, Aloysius	1/1

Notes:

1. Mr. J. Erik Fyrwald, Mr. Qin Hengde and Mr. Feng Mingwei resigned as Directors of the Company on 6 January 2023. Mr. Harry Yang resigned as a Director of the Company on 20 March 2023. Prior to their respective dates of resignation, no general meeting was held by the Company.

2. Mr. Ma Yue was appointed as a Director of the Company on 6 January 2023. He passed away on 29 August 2023.

3. Mr. Wang Jun and Ms. Wang Ling were appointed as Directors of the Company on 20 March 2023.

4. Mr. Liu Hongsheng was appointed as a Director of the Company on 6 January 2023.

During the year, two special general meetings of the Company were held for approving various continuing connected transactions of the Company. The attendance rates of each of the Directors at these special general meetings of the Company are as follows:

	Attendance rate
Executive Directors	
Mr. Ma Yue *(Chief Executive Officer)* *(note 2)*	0/0
Mr. Wang Jun *(note 3)*	0/2
Ms. Wang Ling *(note 3)*	1/2
Non-executive Director	
Mr. Liu Hongsheng *(Chairman)* *(note 4)*	0/2
Independent Non-executive Directors	
Mr. Ko Ming Tung, Edward	2/2
Mr. Lu Xin	2/2
Mr. Tse Hau Yin, Aloysius	2/2

Notes:

1. Mr. J. Erik Fyrwald, Mr. Qin Hengde and Mr. Feng Mingwei resigned as Directors of the Company on 6 January 2023. Mr. Harry Yang resigned as a Director of the Company on 20 March 2023. Prior to their respective dates of resignation, no special general meeting was held by the Company.

2. Mr. Ma Yue was appointed as a Director of the Company on 6 January 2023. He passed away on 29 August 2023. Prior to this date, no special general meeting was held by the Company.

3. Mr. Wang Jun and Ms. Wang Ling were appointed as Directors of the Company on 20 March 2023.

4. Mr. Liu Hongsheng was appointed as a Director of the Company on 6 January 2023.

Shareholders' rights

Shareholders have the right to request for a special general meeting. Shareholders, at the date of deposit of the requisition, holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right to submit a signed written requisition, specifying the purpose (including any proposals), to the Board or the Company Secretary to require a special general meeting, and deposit the requisition at the Company's principal place of business at Unit 4705, 47th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene the special general meeting, the requisitionist(s), or any of them representing more than one half of the total voting rights of all of them, themselves may convene a special general meeting, but any special general meeting so convened shall not be held after the expiration of three months from twenty-one days of the deposit.

In addition, shareholders may propose a person for election as a Director of the Company. Details of the procedures for shareholders to propose a person for election as a Director of the Company are available on the Company's website, and is disclosed in the section on "Policy in respect of nomination of directors of the Company" in this report.

Constitutional documents

The constitutional documents of the Company, including the memorandum of association and Bye-laws of the Company, are available for review by shareholders from the Company's website. During the year, in order to promote the construction of its compliance system and strengthen its compliance management capabilities, the Company created the position of general counsel/chief compliance officer. The addition of such position was specified in the Bye-laws, which was approved by the shareholders in 2023 AGM held on 19 June 2023.

EXTERNAL AUDITOR

The Group's external auditor for the year is KPMG. The Audit Committee is mandated to ensure continuing auditors' objectivity and safeguarding independence of the auditors. During the year, the Audit Committee has considered and approved the re-appointment of KPMG as auditor of the Group for the year ended 31 December 2023, and the corresponding audit fees estimation, and also approved the general policies in respect of non-assurance services provided by external auditors.

The audit fees paid or payable by the Group to the external auditors in respect of audit and other non-audit services for the year ended 31 December 2023 were as follows:

	For the year ended 31 December	
Nature of services	**2023**	2022
	RMB'000	*RMB'000*
Audit service (including audit of financial statements and other audit related projects)	**4,040**	3,750
Tax related service	**94**	125
Total	**4,134**	3,875

FINANCIAL MANAGEMENT

The Group consistently strengthened management on the fundamental financial work, normalized and improved rules and regulations, strengthened internal coordination, focused on informatization, improved internal risk control and gradually improved work quality. The Group adhered to the corporate strategies, closely followed up on business operations and identified potential risks and opportunities. Meanwhile, it preserved its capital, optimized its debt scale, continued to reduce its financing costs and devoted itself to discovering, protecting and creating corporate value.

In terms of team building, we effectively focused on the Company's strategy, re-divided professional lines within the Company, carried out centralized financial training and empowerment, and multi-level staff rotation, to stimulate employees' potential and work enthusiasm, and took multiple measures to enhance the team's ability. With external financial experts and outstanding fresh graduates to join our team, the Group is committed to building a professional, highly precise and efficient financial talent pool that meets our new strategic development requirements.

In terms of accounting, the Group strengthened the timeliness and accuracy of basic financial information, completed the accounting records and prepared the consolidated financial statements with high quality. Combining with digital scenarios such as fiscal and tax e-bills, the Group has launched the construction of a financial operation platform to achieve intelligent handling of financial matters such as full online payment and submission, automatic tax management, and paperless file management. At the same time, in accordance with the requirements of the capital market, the Group provided relevant information to the designated information disclosure platform and welcomed the supervision and inspection from regulators.

In terms of budget management and performance analysis, the Group constantly improved the overall budget management system and paid attention to the breakdown of the budget and accountability. The Group utilized management tools including 369 rolling forecast and the risk and opportunity (R&O) analysis to strengthen process monitoring, and guaranteed the attainment of annual targets through deviation rectification in the process of development. With focus on improving the quality and efficiency of key items, the Group has generated the idea of "all costs can be reduced", and achieved better quality, efficiency and output through measures such as strengthening the integrated management of procurement, production and marketing, coordinating raw material supply, maintaining normal production and operation, strengthening marketing and increasing profits, strictly controlling costs and others. It carried on with the high-performance orientation, focused on investment returns, optimized resource allocation and brought into full play the strategic orientation and monitoring role of budget management and performance analysis.

In terms of fund management, under the impact of geopolitical conflicts, the global economy has approached closer to recession from stagflation in 2023, the growth rate of major economies has declined, and inflation remained high. Against this backdrop, the monetary policies of various countries also carried different features, the Federal Reserve, the European Central Bank and the central banks of emerging economies continued their rate hikes, and fluctuations in exchange rates resulted in draining of liquidity in the capital markets and activities in international financing markets were subdued. Benefiting from the the lower inflationary pressure which enabled a more relaxing monetary policy, the Chinese central bank adjusted downward the reserve requirement ratio twice, reducing by a total of 0.5 percentage point, leading to a reduction in money market rates and policy rates to boost the economy and market liquidity, and the terminal money market interest rate remained low. The Group further strengthened its cooperation with Sinochem Finance and external banks of strategic alliance, maintained sufficient banking facilities, brought into full play the advantage of integrated operation of both domestic and overseas resources, strengthened the allocation and utilization of internal capital of the Group and increased the capital turnover rate. It deepened the refined management of capital resources, and improved the capital yield for ensuring safety and flexibility. Capitalizing on direct financing channels, the Group obtained a syndicate loan from China Construction Bank and Sinochem Finance to complete the loan replacement for the Sinochem Fuling Project. After completion of the refinancing, the loan interest rate of the Sinochem Fuling project decreased by 55bp compared with the original loan interest rate, and part of the loan obtained the green credit certification from the People's Bank of China, becoming the first batch of green credit obtained by the Group. It also actively developed forward settlement methods including bank acceptance bill and letter of credit, further tightened the access list of bank acceptance bills to enhance the accuracy of funding plans, reduced utilization of working capital and promoted the continuous improvement of cash flow of operating activities in order to reduce the capital cost.

In 2023, under the long-term impact of global industrial chain adjustment, Russia-Ukraine conflict, Palestinian-Israeli conflict and other events, combined with cyclical factors such as the tightening of monetary policy of the US federal funds to maintain high interest rates, and rising debt risks, many countries suffered enormous pressure on their economic growth and exchange rates, intensifying the financial market turmoil. In the face of complex and volatile macroeconomic conditions, the Chinese central bank sent positive signals to the market by lowering the foreign exchange deposit reserve of financial institutions, holding a special meeting on the national foreign exchange market self-disciplinary mechanism, stressing that the RMB exchange rate had solid foundation for maintaining basic stability at a reasonable and balanced level, to boost confidence in the RMB. The RMB exchange rate gradually stabilized and rose amidst fluctuations in late 2023. Based on our import-based business model, the Group continued to adopt prudent countermeasures and took various measures to reduce the adverse impact of exchange rate fluctuations on the Group, strengthened its monitoring and analysis of the foreign exchange market, paid close attention to changes in the international economic and financial situation, as well as the movement of major currency pairs, and made timely responses and adjustments. The Group made gradual adjustments in exposure requirements of business units according to the actual situation. As RMB fluctuated in a narrow range and remained relatively strong, spot exchange settlement and sales has been made on demand according to the business requirements. If the fluctuation of RMB intensifies with signs of decline and volatility, forward exchange settlement and sales shall be made in a timely manner to mitigate the medium and long-term exchange rate fluctuation risks.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board understands that, in accordance with the code provision D.2 of the Corporate Governance Code contained in the Listing Rules of the Stock Exchange, the Board should ensure that the Group's internal control and risk management system is robust and appropriate, and continuously monitor and review its operation effectiveness in order to safeguard shareholders' interests and the Group's assets. During the year, After the end of the pandemic, the Company focused on the internal integration of Syngenta Group China by identifying risks, striving for strategic transformation, optimizing the organizational structure and empowering its businesses. At the same time, the Group particularly strengthened its systems and standardized its construction, amended and formulated systems, revised the manual of duties and responsibilities, enhanced the accountability of responsible entities, and focused on audit and inspection of its subsidiaries. The Group also carried out annual review and evaluation on its internal control and risk management system in all aspects, covering every significant aspect of control such as financial monitoring, operation monitoring, compliance monitoring and risk management functions, and regularly reviewed and monitored the internal control systems so as to ensure the proper functioning of procedures and the effective operation of the internal control system by taking into consideration the respective characteristics of the branches and subsidiaries of the Company.

Internal Control

For years, the Group has been committed to ensuring the design rationality and operational effectiveness of the internal control system and constantly improving the operational management level and risk prevention capability. The Board of the Group is responsible for the sound establishment and effective implementation of internal controls and the managerial level is responsible for organizing and leading the implementation and operation of the Group's internal controls. The Financial Management Department, the Department of Discipline Inspection (Department of Audit and Law) and other departments of the Group were responsible for the implementation of internal control evaluation and promoted relevant work through evaluation for steady development of the Group.

The Group carries out the internal control evaluation once a year to implement the working mechanism of unified leadership and graded responsibility, which is divided into self-assessment of internal control and supervision on evaluation. Each unit will conduct self-evaluation from January to December 2023 by combining its own management position and business characteristics against the "2023 Evaluation Working Draft on Annual Internal Control", and conduct self-evaluation item by item according to the core indicators and control scopes, so as to objectively, truthfully and accurately reveal the internal control defects and risks in operation and management. Department of Discipline Inspection (Department of Audit and Law) will carry out supervision and evaluation in conjunction with various forms of audit, such as self-assessment of internal control, inspection of supervision, audit of internal control, special audit and audit of economic responsibilities to objectively, truthfully and accurately reveal reveal the defects and risks of internal control in the operational management. The internal control supervision and evaluation focuses on the establishment of internal control evaluation mechanism and the development of internal control evaluation of the key subsidiaries; internal control of financial management and the authenticity of accounting information; the establishment and improvement of the risk prevention and control mechanism; subsidiaries with "zero defects" in self-evaluation of internal control; and the rectification of internal control defects that occurred in the subsidiaries in the past three years. Through the cultivation of healthy internal control evaluation and improvement of the information communication mechanism, the internal control management of the Group was improved in a practical manner.

In 2023, the Discipline Inspection Department (Audit and Legal Affairs Department) formulated the annual audit plan in a scientific manner based on the results of the internal control evaluation and taking account of the relevant requirements of the Listing Rules and the results of risk investigation to monitor and examine the internal control and risk management of the Group. During the year, Department of Discipline Inspection (Department of Audit and Law) of the Group strengthened the supervision of epidemic prevention and control, promoted the subsidiaries to actively resume work and production, and organized and implemented four audit special projects through a combination of remote audits and on-site audits, covering various types of audits such as internal control audit, financial responsibility audit, special audit, oversea audit, etc. A total of eight key branches and subsidiaries of the Group were in the scope of audit. It also regularly reports to the Audit Committee on the implementation of the internal audit and the mechanism of complaint operation to ensure that the supervision, inspection are standardized and effective, and to promote the standardized operation of power and the improvement of operation and management.

Through evaluation, supervision and inspection on internal control system, the Group believed that, for the year of 2023, it had a relatively good internal control environment, systematically identified, assessed and coped with risks the Group faced, established a sound and complete internal system and normative business processes. The internal control and risk management system of the Group was adequate and effective and could reasonably secure the strategic transformation and current business development of the Group. In future, the Group will continue to comply with the Listing Rules of the Stock Exchange. The Group will focus on building a strong multi-level supervision system, improve internal control as well as the early warning mechanism, rectification and follow-up mechanism and outcome application system, further enhance the effectiveness of design and execution of internal control, constantly promote the quality and efficiency of the internal control and ensure the smooth implementation of the Group's strategic objectives.

Risk Management

The Group adopted a risk management model for which the general manager is responsible under the leadership of the Board of Directors. An annual assessment of the risks associated with the Group will be performed. In 2023, the decision-making leadership of the Party Committee in respect of material risk management was further strengthened, thereby forming a risk management organization as well as a system for guarantee consisting of decisionmakers, risk management department, responsibility departments (including business units) for major risk management and auditing and supervision department.

In 2023, in the face of the critical and complicated external economic situation, the international trade friction and the impact of the COVID 19 pandemic, the fertilizer prices of the Group underwent considerable fluctuations, and the pressure on its operations increased. During the internal integration of the Syngenta Group China, the organizational structure of the Group was subject to significant adjustment, and the Group was able to keep up with the new requirements of the strategy and business development of the company, and continued to strengthen risk management, enhance monitoring of indicators of material control risks and reinforce monthly comprehensive disclosure of significant risk events. In addition to strengthening on-site financial risk audits, the Group also actively utilized new means of daily management such as online meetings and network supervision in response to the impact of the pandemic. At the same time, the Group continued to adopt various forms to further enhance the promotion of a risk culture among all staff, strengthen the awareness of the primary responsibility of the operating units for risks, and create a risk control environment of "sound operation and healthy development". During the year, special attention was paid to the identification of emerging risks and the establishment of risk management measures, such as the fraud risks arising in business, as well as the establishment of an effective risk management and internal control system for monitoring lending transactions. Attention was also given to enhancing disclosure of customer profiles, concentration risks and related internal controls in relation to the lending business.

In the fourth quarter of 2023, in line with the requirements of external supervision of the State-owned Assets Supervision and Administration Commission of the State Council and its own risk management, the Group continued to carry out new annual risk identification, assessment and response, strengthened the management and control of key businesses, key processes and key risk points, and added new quantitative indicators and other measures to further strengthen the control and management of material risks.

In 2023, the Group enhanced the allocation and utilization efficiency of credit and inventory resources, carried out differentiated monitoring and evaluation over companies with over-due receivables and long-aged inventories, controlled the trade receivables and inventories, and further deepened the management and control of key operational risks.

In order to ensure the implementation effectiveness of the risk management system, the Group continued to perform the internal inspection and evaluation function of risk management. In 2023, the Group conducted more than 10 on-site inspections of its subsidiaries. Through headquarters inspection, cross inspection and special inspection, the Group understood the risk management status of the business units, and followed up the rectification of problems found, which enhanced the quality and efficiency of internal supervision to ensure the operational safety.

INVESTOR RELATIONS AND INFORMATION DISCLOSURE

The Group attached great importance to investor relations, which is under direct responsibility of the senior management of the Group. Under the regulations and requirements of the relevant provisions of the Listing Rules and the Rules Governing the Management of Information Disclosure of the Company, the Group maintained close communication with the capital market through multiple channels.

2023 was a year when economic development resumed after the gradual relaxation of the COVID-19 prevention and control measures, and the continued outbreak of geopolitical conflicts and financial market fluctuation have had much impact on the global economy. The Chinese government has introduced policies to stabilize growth, and the economy has shown momentum of recovery in general. The Chinese government has been implementing the spirits of the 20th National People's Congress, the Central Economic Work Conference, the Central Rural Work Conference and the No. 1 Central Document, making it clear that agriculture is an important pillar of the national economy, comprehensively promoting rural revitalization and accelerating the modernization of agriculture and rural areas, achieving quality and steady development of agriculture and further consolidating the basic structure of agriculture by focusing on the stable and secure supply of food and important agricultural products.

Against the backdrop of tremendous challenges in the global economy, in order to consolidate its leading position in the industry, the Group, under the framework of Syngenta Group China and the leadership of the Board, was determined to promote strategic transformation to become "the leader of biofertilizers and soil health innovation". By adhering to the customer-centric principle and with a focus on reform and innovation, the Group took scientific and technological innovation as the core drive and devoted to the research and development of nutrient efficiency and biological products and soil health as well as promoted scientific planting and enhanced the channel digitalization capability to empower the upstream and downstream services of the industrial chain, thereby facilitating the development of modernized and intelligent agriculture with high technologies in China. Meanwhile, the Group proactively carried out work related to investor relations and information disclosure, and maintained adequate information exchange and communication with the capital market in respect of industrial market conditions, business operation of the Company and its corporate development strategy, and achieved satisfactory results.

In 2023, the work related to investor relations of the Group mainly included:

1. In March 2023, the Group announced the 2022 annual results and held result presentation conference for analysts and media.

2. In August 2023, the Group announced the 2023 interim results and held result presentation conference for analysts and media.

Apart from the above-mentioned results presentation conferences, the Group kept effective communication and contact with investors and analysts in its daily operation through multiple ways including on-site receptions, conference calls and emails.

In addition, the Group timely disclosed corporate information through the websites of the Stock Exchange and the Company with strict compliance with the Listing Rules and the Rules Governing the Management of Information Disclosure of the Company, delivering important announcements of the Company to all shareholders. The Company also continuously updated its website to disclose important information of the Group's business to the public.

The Board Office of the Company, which includes the Company Secretary as a member, is responsible for the dissemination of corporate information to the public, including inside information and transactions related information. Upon receipt of such corporate information, the Board Office will review and analyze the information in accordance with the Listing Rules, and discuss with external legal adviser when necessary. If such corporate information is required to be disclosed under applicable Listing Rules, the Board Office will submit such information and the proposed announcement to the Board of the Company for approval before its formal publishment on the websites of the Stock Exchange and the Company.

HEALTH, SAFETY AND ENVIRONMENT

The Group is committed to promoting promotion of health, safety and environment and sustainable development, building core competitiveness in HSE, insisting on the importance of life and environment, loss control and continuous improvement of the HSE policy and working with the goal of "zero loss" to responsibly manage all business activities to achieve excellent HSE performance.

In 2023, under the leadership of Sinochem Holdings and Syngenta Group China, the Group strengthened its fundamentals by focusing on the construction of the FORUS system and the investigation and management of risks and potential hazards, launched the "Star Factories", the "Golden Codes" and the "Rigorous Performance of Duties", and organized the implementation of the "One Theme Per Month and Two Modules Per Month", which was a good practice to integrate the system construction into the industrial production and operation activities and form a permanent enhancement mechanism. Taking the safety management standard improvement campaign as the main line, the Group focused on the implementation of special rectification for hazardous chemical enterprises, special rectification for special operations, special rectification for contractors and other special tasks to make up for the shortcomings and strengthen the weaknesses to improve the intrinsic safety. The Group promoted the HSE assurance responsibility system and the special team system, and concentrated resources to promote the improvement of weak enterprises. Through the TOP3 loop mechanism and the red line rule, the Group focused on the identification and management of the long-standing recurring and hidden hazards and frequent operations, and prevented and controlled the risks in key areas.

The Group invested RMB44.43 million in HSE in 2023, of which RMB8.06 million was invested by Sinochem Fuling, RMB22.06 million by Sinochem Yunlong, RMB4.35 million by Sinochem Changshan, RMB5.65 million by Sinochem Shandong Fertilizer Co., Ltd., and RMB4.31 million by Sinochem Agricultural Ecological Technology (Hubei) Co., Ltd.

The Group insists on being people-oriented, prioritizing environmental protection and focusing on prevention and comprehensive management. As climate change becomes more serious, the Group is well-aware of its responsibility to protect the environment. By strictly abiding by 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, the Water Pollution Prevention and Control

Law of the People's Republic of China as well as the Environmental Impact Assessment Law of the People's Republic of China, the Group deepened the fight against pollution, launched specialized work including the special assessment of the environmental risks of phosphorus pollution and the investigation of hidden hazards in environmental protection of enterprises located at the Yangtze River and Yellow River Basins, and implemented pollution prevention and control of water, air, soil and hazardous and solid waste. The Group used advanced technologies and equipment to reinforce operations of environmental-friendly facilities, continuously reduce emissions, reduce the impacts on the environment, and promote harmonious coexistence with environmental protection. The Group formulated emergency plans for sudden environmental pollution incidents, equipped themselves with necessary emergency materials and seriously performed emergency response exercises. In 2023, no material environmental pollution incident was identified.

In 2023, the Group fully achieved its energy-saving and emission reduction targets. The emissions of SO2, NOX, COD and NH3-N were 311.82 tons, 259.03 tons, 50.41 tons and 6.08 tons, respectively. Comprehensive energy consumption per output value of RMB10,000 and CO2 consumption per output value of RMB10,000 both decreased year on year. Sinochem Changshan's CO2 liquefaction plant was put into operation to recover CO2 and low-temperature heat recovery plant was put into operation to save steam and realize carbon reduction. Sinochem Yunlong's HRS project was implemented to enhance the heat utilization rate of the heat recovery system and reduce energy consumption. Shandong Fertilizer's Phase II photovoltaic project was implemented with an installed capacity of 400 kW.

Environmental, Social and Governance Report

The Company published its 2023 Environmental, Social and Governance Report simultaneously with this annual report in compliance with the Environmental, Social and Governance Reporting Guide set out in Appendix C2 of the Listing Rules. The content of the report conforms to the requirements of the Stock Exchange and disclose the environmental, social and governance performance of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The Group focused on key products. On one hand, it strengthened the building of strategic procurement capacity and management of core suppliers, stabilized the international and domestic supply system, built a diversified supply chain, guaranteed the long-term and stable supply of high-quality fertilizer resources for the Group and continued to maintain its position as a large fertilizer importer of China; on the other hand, it explored key markets and maintained close cooperation with core customers, grasped the industrial chain by integrated cooperation of upstream and downstream operations, formed a strong linkage between upstream and downstream operations and became an important player in the supply chain of basic fertilizers. In 2023, the Group followed the strategy of in-depth cultivation of sales channels, and the proportion of direct service for large-scale farmers continued to increase.

In 2023, the aggregate revenue generated from the five major customers of the Group accounted for no more than 20% of the Group's total revenue. Over the years, the Group maintained a stable business relationship with Shandong Zhongde Lihua fertilizer Co., Ltd, one of the major customers of the Group.

In 2023, the aggregate purchase from the Group's five major suppliers accounted for no more than 40% of the Group's total purchases. As the most important domestic potash supplier for the Group, Qinghai Salt Lake maintained a long-term business relationship with the Group and supplied potash products to the Group by means of payment upon delivery or payment in advance.

The Group closely keeps track of the operating condition of the major customers and suppliers, especially relating to credit sales to customers and advance payment to suppliers, where strict examination and approval procedures should be followed, and credit insurance are taken out for each of them. In 2023, the Group maintained sound cooperation with its major customers and suppliers.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group strictly complied with the requirements of national laws, regulations and policies, as well as the relevant regulations of the Stock Exchange, including the Listing Rules. In 2022, stringent regulation continued to be implemented on environmental protection, energy management and production safety in China, and the Group strictly abided by the relevant laws and regulations such as the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Energy Conservation, the Law of the People's Republic of China on Production Safety, the Cleaner Production Promotion Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste, the Air Pollution Prevention and Control Law of the People's Republic of China, and the Soil Pollution Prevention and Control Law of the People's Republic of China. The Group adhered to a people-oriented policy of environmental priority, prevention in advance and comprehensive management, the core vision of industry value. It organized production and operation activities in accordance with the relevant national laws and regulations relating to environmental protection, energy conservation, cleaner production, production safety as well as water and soil conservation. Through active fulfillment of environmental protection responsibility and implementation of supervision and management of environmental protection facilities, the Group strived to prevent environment related incidents. By leveraging measures such as internal control and risk and HSE management, the Company effectively safeguarded its lawful and compliance operation as well as the achievement of its operation objectives and strategic transformation and upgrading.

DIRECTORS' REPORT

The Board of Directors of the Company hereby presents the Directors' Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding.

The principal activities of the Group include the production, import and export, distribution and retail of raw materials and finished goods of crop nutrition products, provision of technological research and development and services relating to crop nutrition business and products, exploration and exploitation of phosphate mine, and production of monocalcium/monodicalcium phosphate. Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group, an analysis using financial key performance indicators, and an indication of likely future developments in the Group's business, can be found in the sections of "Management Review and Prospect" and "Management's Discussion and Analysis" of the annual report. In addition, a discussion on the Group's environmental policies and performance, the Group's compliance with the relevant laws and regulations that have a significant impact on the Group, and the Group's key relationships with its employees, customers and suppliers, can be found in the section of "Corporate Governance Report" of the annual report. These discussions form part of the Directors' Report.

An analysis of the Group's performance for the year by business segment is set out in note 4 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 104 to 105 of the annual report.

The Board recommended the payment of a final dividend of HK$0.0491 (equivalent to RMB0.0445) per share for the year ended 31 December 2023 (2022: HK$0.0623, equivalent to RMB0.0557) to the shareholders, estimated to be HK$344,900,000 (equivalent to approximately RMB312,549,000) out of the contributed surplus of the Company. It is expected that the relevant dividend will be paid by 25 July 2024 to those entitled, subject to shareholders' approval at the forthcoming annual general meeting.

FINANCIAL SUMMARY

A summary of the operating results and of the assets and liabilities of the Group for the last five financial years is set out on page 208 of the annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover from the Group's five largest customers were less than 30% of the Group's total turnover for the year ended 31 December 2023. The aggregate purchases from the Group's five largest suppliers represented around 33% of the Group's total purchases for the year ended 31 December 2023, with the largest supplier contributing to around 10% of the Group's total purchases for the year. A substantial shareholder of the Company, Nutrien Ltd., holds interests in the forth largest supplier of the Group.

Save for the above, none of the Directors, their close associates or any shareholders (which to the knowledge of the Directors owned more than 5% equity interests of the Company), had any interests in any of the Group's five largest customers or suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group for the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company for the year are set out in note 35 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity from pages 109 to 110 of the annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2023, the Company's reserves available for distribution to shareholders, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), amounted to approximately RMB814,510,000 (2022: RMB1,215,258,000). The amount represented the credit standing in the contributed surplus and retained earnings of the Company as at 31 December 2023.

DONATIONS

During the year ended 31 December 2023, the Group had made approximately RMB334,000 charitable donations in cash and made donations of other items worth approximately RMB30,000.

DIRECTORS

The Directors of the Company for the year and up to the date of this report were:

Executive Directors

Mr. Qin Hengde *(Chief Executive Officer)*	*(resigned on 6 January 2023)*
Mr. Ma Yue *(Chief Executive Officer)*	*(appointed on 6 January 2023 and passed away on 29 August 2023)*
Mr. Feng Mingwei	*(resigned on 6 January 2023)*
Mr. Harry Yang	*(resigned on 20 March 2023)*
Mr. Wang Jun	*(appointed on 20 March 2023)*
Ms. Wang Ling	*(appointed on 20 March 2023)*

Non-Executive Directors

Mr. J. Erik Fyrwald *(Chairman)*	*(resigned on 6 January 2023)*
Mr. Liu Hongsheng *(Chairman)*	*(appointed on 6 January 2023 and resigned on 24 January 2024)*
Mr. Su Fu *(Chairman)*	*(appointed on 24 January 2024)*

Independent Non-Executive Directors

Mr. Ko Ming Tung, Edward
Mr. Lu Xin
Mr. Tse Hau Yin, Aloysius

In accordance with the Bye-laws of the Company, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius will retire at the forthcoming annual general meeting of the Company and being eligible, offer themselves for re-election. In addition, newly appointed director, Mr. Su Fu, shall hold office until the next following annual general meeting in accordance with the Bye-laws of the Company, and shall be eligible for re-election.

No Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management of the Company are set out on pages 45 to 48 of the annual report.

DISCLOSURE OF INFORMATION OF DIRECTORS

Pursuant to the disclosure requirements under rule 13.51B(1) of the Listing Rules on the Stock Exchange, the changes/update of information of Directors during the year ended 31 December 2023 and up to the date of this report are as follows:

1. The total cash compensation received/receivable by Executive Directors of the Company for the year ended 31 December 2023, are set out in note 10 to the consolidated financial statements.

2. Mr. Tse Hau Yin, Aloysius, an Independent Non-executive Director of the Company, ceased to be the independent non-executive directors of China Telecom Corporation Limited, CNOOC Limited and China Huarong Asset Management Co., Ltd. (currently known as China CITIC Financial Asset Management Co., Ltd.) on 6 January 2023, 31 May 2023 and 24 December 2023 respectively.

3. Ms. Wang Ling, an Executive Director of the Company, was appointed as a director of Qinghai Salt Lake Industry Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000792), on 29 May 2023.

4. Mr. Su Fu, a Non-executive Director of the Company, was appointed as a director and chairman of Jiangsu Yangnong Chemical Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600486), on 21 February 2024.

5. Mr. Ko Ming Tung, Edward, an Independent Non-executive Director of the Company, was appointed as an independent non-executive director of China Vered Financial Holding Corporation Limited, a company listed on main board of the Stock Exchange, on 22 March 2024.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2023, the Company had issued formal letters of appointment to the Directors of the Company, setting out key terms and conditions of their appointment and in compliance with the code provision C.3.3 as set out in the Corporate Governance Code.

Save as disclosed above, as at 31 December 2023, none of the Directors has a service contract with the Company.

DIRECTORS' INTERESTS IN THE SHARES

As at 31 December 2023, the interests of the Directors and chief executives in the Shares, share options, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were disclosed below.

As at 31 December 2023, the following Directors of the Company had long position in the ordinary shares of HK$0.1 each of the Company:

Name of Director	Capacity	Number of issued Shares held	Percentage of the issued share capital of the Company
Lu Xin	Beneficial owner	2,900,000	0.041%
Tse Hau Yin, Aloysius	Beneficial owner	3,404,000	0.048%

Save as disclosed above, as at 31 December 2023, none of the Directors or chief executives of the Company had any interests or short positions in any Shares, share options, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register maintained by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than disclosed above, at no time during the year and as at 31 December 2023, was the Company or any of its subsidiaries or holding companies or the subsidiaries of the holding companies a party to any arrangement the object of which is to enable the Directors or chief executives of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of Shares in, or debt securities of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2023, other than the Directors or chief executives of the Company, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that, the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company:

Name of shareholder	Number of issued ordinary Shares held – Long position	Percentage of the issued share capital of the Company
Sinochem Holdings Corporation Ltd. ("Sinochem Holdings") (Note 1)	3,698,660,874	52.65%
China National Chemical Corporation Limited ("ChemChina") (Note 1)	3,698,660,874	52.65%
Syngenta Group Co., Ltd. ("Syngenta Group") (Note 1)	3,698,660,874	52.65%
Syngenta Group (HK) Holdings Company Limited ("Syngenta HK") (Note 2)	3,698,660,874	52.65%
Nutrien Ltd. (Note 3)	1,563,312,141	22.26%
Potash Corporation of Saskatchewan Inc. ("Potash Corporation") (Note 3)	1,563,312,141	22.26%
PCS (Barbados) Investment Company Limited ("PCS") (Note 4)	1,563,312,141	22.26%

Notes:

1. Syngenta HK is a wholly-owned subsidiary of Syngenta Group Co., Ltd. (先正達集團股份有限公司), which is in turn wholly owned by China National Agrochemical Co., Ltd. (中國化工農化有限公司) ("CNAC"). CNAC is a wholly-owned subsidiary of China National Chemical Corporation Limited (中國化工集團有限公司), which in turn is a wholly-owned subsidiary of Sinochem Holdings Corporation Ltd.. Accordingly, Sinochem Holdings, ChemChina, CNAC and Syngenta Group are deemed to be interested in 3,698,660,874 ordinary Shares of the Company, being corporate interest beneficially held by Syngenta HK.

2. Syngenta HK was beneficially interested in 3,698,660,874 ordinary Shares of the Company.

3. PCS is a wholly-owned subsidiary of PCS (Barbados) Enterprise SRL, which is in turn wholly owned by Potash Corporation. Potash Corporation is wholly owned by PCS Acquisition Co ULC, which is in turn wholly owned by Nutrien Ltd. Accordingly, Nutrien Ltd., PCS Acquisition Co ULC, Potash Corporation and PCS (Barbados) Enterprise SRL are deemed to be interested in 1,563,312,141 ordinary Shares of the Company, being corporate interest beneficially held by PCS.

4. PCS was beneficially interested in 1,563,312,141 ordinary Shares of the Company.

Save as disclosed above, other than the Directors or chief executives of the Company, the Company has not been notified of any other relevant interests or short positions held by any other person in the issued share capital of the Company as at 31 December 2023, which were required to be recorded in the register maintained by the Company under section 336 of the SFO.

DIRECTORS OR THEIR ASSOCIATED ENTITIES' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed herein, no other transactions, arrangements or contracts of significance, to which the Company or any of its subsidiaries was a party and in which a Director of the Company or any of their associated entities had a material interest, whether directly or indirectly, were subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2023, Mr. Feng Mingwei and Ms. Wang Ling, the then Executive Director and the current Executive Director of the Company respectively, were a director of the board of directors of Qinghai Salt Lake. Qinghai Salt Lake is a joint stock limited liability company incorporated in the PRC whose shares are traded on the Shenzhen Stock Exchange (stock code: 000792). The principal activities of Qinghai Salt Lake include the development, production and sale of potassium chloride (a form of potash), and the comprehensive development and utilization of salt lake resources.

As at 31 December 2023, the board of directors of Qinghai Salt Lake consists of 13 directors. Mr. Feng Mingwei and Ms. Wang Ling were not involved in the daily production, sale, operation or management of Qinghai Salt Lake. Mr. Feng Mingwei and Ms. Wang Ling has extensive experience in the fertilizer industry, were aware of his/her duties and responsibilities as the Director and senior management member of the Company, and were able to devote sufficient time to the business of the Group. The Company believes that Mr. Feng Mingwei and Ms. Wang Ling had exercised his/her independent judgment in making decisions at the Board meetings and act in the interest of the Group.

Save as disclosed above, during the year ended 31 December 2023 and up to the date of this report, none of the Directors of the Company and their respective close associates were interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

CONNECTED TRANSACTIONS

Note: Unless otherwise defined in this section or other sections in this annual report, the definitions of the companies and certain specific terms included in this section shall have the same meaning assigned to them in the respective announcements or circulars.

I. One-off Connected Transactions

For the year ended 31 December 2023, the Group conducted the following one-off connected transactions that are subject to the reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

1. *Syndicated Loan Agreement entered into between Sinochem Finance and Sinochem Fuling*

On 26 April 2023, Sinochem Fuling (as the borrower), entered into the Syndicated Loan Agreement with CCB Fuling Branch (as the lead arranger, agent and one of the lenders) and Sinochem Finance (as one of the lenders), pursuant to which CCB Fuling Branch and Sinochem Finance agreed to provide the Syndicated Loan in a total principal amount of up to RMB1,489,000,000 to Sinochem Fuling on a several (but not joint) basis. The maximum commitment of Sinochem Finance under the Syndicated Loan is RMB282,910,000. As a security for its repayment obligation under the Syndicated Loan Agreement, Sinochem Fuling entered into the Pledge Contract with CCB Fuling Branch (as the agent), pursuant to which Sinochem Fuling pledged its land use right of the Land and any fixtures attached thereto to CCB Fuling Branch and Sinochem Finance.

Sinochem Fuling is an indirect non-wholly owned subsidiary of the Company. Sinochem Holdings is the ultimate controlling shareholder of the Company, indirectly holding approximately 52.65% of the total issued shares of the Company, and is therefore a connected person of the Company. As Sinochem Finance is directly and indirectly owned as to an aggregate of approximately 98% by Sinochem Holdings, Sinochem Finance is also a connected person of the Company. As such, the provision of the secured loan to Sinochem Fuling by Sinochem Finance under the Syndicated Loan Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that the applicable percentage ratios in respect of the maximum commitment of Sinochem Finance under the Syndicated Loan are more than 0.1% but less than 5%, the transaction is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

2. *Export Contract entered into between Sinochem Macao and Canpotex*

On 28 June 2023, Sinochem Macao and Canpotex entered into the Export Contract, pursuant to which Sinochem Macao agreed to purchase no more than 132,000 tonnes of potash from Canpotex at a unit price of US$307 per tonne for a total consideration of no more than US$40,524,000.

Sinochem Macao is an indirect wholly-owned subsidiary of the Company. Nutrien indirectly holds approximately 22.26% equity interest in the Company, and is therefore an indirect substantial shareholder of the Company. Canpotex, owned as to 50% by Nutrien, is an associate of Nutrien, and is therefore a connected person of the Company. As such, the transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that the applicable percentage ratios in respect of the transaction are more than 0.1% but less than 5%, the transaction is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

3. Technical Consulting Contract entered into between Sinochem Fuling and Sinochem Environment

On 27 September 2023, Sinochem Fuling and Sinochem Environment entered into the Technical Consulting Contract, pursuant to which Sinochem Fuling engaged Sinochem Environment to conduct the investigation and risk assessment on soil contamination with respect to its former plant at a total consideration of RMB17,308,000.

Sinochem Environment is an indirect subsidiary of Sinochem Holdings, and is therefore a connected person of the Company. As such, the transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the transaction are more than 0.1% but less than 5%, the transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

4. Lease Agreements entered into between Sinochem Fertilizer and Junmao Real Estate

On 20 December 2023, Sinochem Fertilizer (as the lessee), (1) entered into the Lease Agreement I and the Lease Agreement II with Junmao Real Estate (as the lessor); (2) together with Sinochem Agriculture (as one of the lessees) entered into the Lease Agreement III with Junmao Real Estate (as the lessor); and (3) together with Syngenta Seeds, CNSG and Sinochem Agriculture (as other lessees) entered into the Lease Agreement IV with Junmao Real Estate (as the lessor). Pursuant to the Lease Agreements, Sinochem Fertilizer (as the lessee) agreed to lease from Junmao Real Estate (as the lessor) the Properties located at Youan International Tower. In accordance with HKFRS 16 "Leases", the estimated value of the right-of-use asset to be recognized by the Group under the Lease Agreements amounts to approximately RMB12,278,927.21.

Sinochem Fertilizer is an indirect wholly-owned subsidiary of the Company. Junmao Real Estate is an indirect non-wholly owned subsidiary of Sinochem Holdings, and is therefore a connected person of the Company. Given that the relevant applicable percentage ratios in respect of the value of the right-of-use asset to be recognised by the Group under the Lease Agreements are, when aggregated, more than 0.1% but less than 5%, the transactions contemplated under the Lease Agreements and the payment of rentals thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

5. Contract for the Remediation Project entered into between Sinochem Fuling and Sinochem Environment

On 25 December 2023, Sinochem Fuling and Sinochem Environment entered into the Contract for the Remediation Project, pursuant to which Sinochem Fuling engaged Sinochem Environment to take remediation and control measures against soil and groundwater contamination and other contaminations in connection with its former plant at a total consideration of RMB62,699,400.

Sinochem Environment is an indirect subsidiary of Sinochem Holdings, and is therefore a connected person of the Company. As such, the transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the transaction are more than 0.1% but less than 5%, the transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

II. Continuing Connected Transactions

For the year ended 31 December 2023, the Group's continuing connected transactions are listed below, which are subject to the reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of the following continuing connected transactions. During the year, the Company have followed the pricing policies and guidelines formulated at the time when such transactions were entered into.

1. Agricultural Products Purchase and Sale Framework Agreement entered into between Sinochem Fertilizer and Sinochem Holdings

On 22 November 2021, Sinochem Fertilizer entered into the Agricultural Products Purchase and Sale Framework Agreement with Sinochem Holdings, pursuant to which Sinochem Fertilizer would purchase from and/or sell to subsidiaries of Sinochem Holdings certain agricultural products, including fertilizers (such as nitrogen fertilizer, phosphate fertilizer, potash fertilizer and compound fertilizer), agrichemicals (such as pesticide, fungicide and herbicide) and seeds within the PRC during the period from 1 January 2022 to 31 December 2024 (both days inclusive). Pursuant to the Agricultural Products Purchase and Sale Framework Agreement, prices of agricultural products shall be determined with reference to the fair market prices of the products within the PRC at the time when Sinochem Fertilizer or the relevant subsidiary of Sinochem Holdings submits its purchase plan for the relevant products.

For the three years ending 31 December 2024, the annual caps in respect of the purchase of agricultural products by Sinochem Fertilizer from subsidiaries of Sinochem Holdings are RMB410,000,000, RMB975,000,000 and RMB1,326,000,000, respectively, and the annual caps in respect of the sale of agricultural products by Sinochem Fertilizer to subsidiaries of Sinochem Holdings are RMB2,260,000,000, RMB3,430,000,000 and RMB4,480,000,000, respectively.

Sinochem Holdings is the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. As such, the transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement constitute continuing connected transactions of the Company. Given that the applicable percentage ratios in respect of the annual caps for continuing connected transactions contemplated under the Agricultural Products Purchase and Sale Framework Agreement are more than 5%, such transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For detailed information on the aforesaid transactions, please refer to the announcements dated 22 November 2021 and 31 July 2023 and the circulars dated 13 December 2021 and 25 August 2023 published by the Company. The continuing connected transactions under the Agricultural Products Purchase and Sale Framework Agreement have been approved by the independent shareholders of the Company at the special general meetings of the Company held on 29 December 2021 and 12 September 2023, respectively.

2. Fertilizer Import Framework Agreement entered into between Sinochem Fertilizer and Sinochem Group

On 22 November 2021, the Company and Sinochem Fertilizer entered into the Fertilizer Import Framework Agreement with Sinochem Group, pursuant to which Sinochem Group would import fertilizer and other fertilizer raw materials sourced by overseas subsidiaries of the Company and sell them to Sinochem Fertilizer (or other domestic subsidiaries of the Company) during the period from 1 January 2022 to 31 December 2024 (both days inclusive).

Under the Fertilizer Import Framework Agreement, the pricing principles for the sale and purchase of fertilizer and other fertilizer raw materials between the parties are as follows: (i) the price to be paid by Sinochem Group to overseas subsidiaries of the Company for fertilizer and other fertilizer raw materials sold by overseas subsidiaries of the Company to Sinochem Group shall be determined in accordance with the prevailing international market price; (ii) the price to be paid by Sinochem Fertilizer (or other domestic subsidiaries of the Company) to Sinochem Group for fertilizer and other fertilizer raw materials (excluding sulphur, the pricing basis of which is set out in (iii) below) sold by Sinochem Group to Sinochem Fertilizer (or other domestic subsidiaries of the Company) shall be determined in accordance with the purchase price paid by Sinochem Group plus the import costs incurred by Sinochem Group; and (iii) the price to be paid by Sinochem Fertilizer (or other domestic subsidiaries of the Company) to Sinochem Group for sulphur sold by Sinochem Group to Sinochem Fertilizer (or other domestic subsidiaries of the Company) shall be determined in accordance with the prevailing domestic price at port.

For the three years ending 31 December 2024, the annual caps in respect of the purchase of fertilizer and other fertilizer raw materials by Sinochem Group from overseas subsidiaries of the Company are US$2,000,000,000, US$2,168,000,000 and US$2,345,000,000, respectively, and the annual caps in respect of the sale of fertilizer and other fertilizer raw materials by Sinochem Group to Sinochem Fertilizer (or other domestic subsidiaries of the Company) are RMB13,135,000,000, RMB14,321,000,000 and RMB15,523,000,000, respectively.

Sinochem Group is a wholly-owned subsidiary of Sinochem Holdings, and is therefore a connected person of the Company. As such, the transactions contemplated under the Fertilizer Import Framework Agreement constitute continuing connected transactions of the Company. Given that the applicable percentage ratios in respect of the annual caps for continuing connected transactions contemplated under the Fertilizer Import Framework Agreement are more than 5%, such transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For detailed information on the aforesaid transactions, please refer to the announcement dated 22 November 2021 and the circular dated 13 December 2021 published by the Company. The continuing connected transactions under the Fertilizer Import Framework Agreement have been approved by the independent shareholders of the Company at the special general meeting of the Company held on 29 December 2021.

3. Financial Services Framework Agreement and its Supplemental Agreements entered into between the Company and Sinochem Finance

On 24 August 2021, the Company entered into the Financial Services Framework Agreement with Sinochem Finance, pursuant to which the Group would utilize the financial services available from Sinochem Finance as it deems necessary, including the Deposit Services, Loan Services, entrustment loan services, commercial bills of exchange services, buyer financing services, settlement services, guarantee services, internet banking services, and other financial services as approved by the CBIRC, for a term up to 31 December 2023, and the Group would pay relevant interest as well as service fees to, or collect interest on deposits from, Sinochem Finance in accordance with the Financial Services Framework Agreement. Except for the settlement services for which no service fee is payable by the Group, interest and fees payable for all the other services were determined based on the benchmark interest rates as promulgated by the PBOC from time to time, or with reference to those as offered by independent commercial banks.

On 5 August 2022 and 11 October 2023, the Company and Sinochem Finance entered into two supplemental agreements to revise the maximum daily outstanding balance of deposits placed by the Group with Sinochem Finance under the Financial Services Framework Agreement, and to renew the term of the Financial Services Framework Agreement to 31 December 2026.

For the year ended 31 December 2023, the maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance was RMB2,000,000,000, and the annual cap in respect of the Other Financial Services was RMB10,000,000. For each of the three years ending 31 December 2026, the maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance is RMB3,000,000,000, and the annual cap in respect of the Other Financial Services is RMB10,000,000.

Sinochem Finance is a subsidiary of Sinochem Holdings, and is therefore a connected person of the Company. As such, the transactions contemplated under the Financial Services Framework Agreement (as revised and renewed by the supplemental agreements) constitute continuing connected transactions of the Company. Given that the applicable percentage ratios in respect of the maximum daily outstanding balance of the Deposit Services under the Financial Services Framework Agreement (as revised and renewed by the supplemental agreements) are more than 5%, the Deposit Services are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.90 of the Listing Rules, the Loan Services (excluding entrustment loans) provided by Sinochem Finance to the Group under the Financial Services Framework Agreement (as revised and renewed by the supplemental agreements) are exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, as the Loan Services constitute financial assistance provided by a connected person for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the financial assistance.

Given that the applicable percentage ratios in respect of the annual caps of the Other Financial Services under the Financial Services Framework Agreement (as revised and renewed by the supplemental agreements) are more than 0.1% but less than 5%, the Other Financial Services are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For detailed information on the aforesaid transactions, please refer to the announcements dated 24 August 2021, 5 August 2022 and 11 October 2023 and the circulars dated 14 September 2021, 14 September 2022 and 6 December 2023 published by the Company. The continuing connected transactions under the Financial Services Framework Agreement (as revised and renewed by the supplemental agreements) have been approved by the independent shareholders of the Company at the special general meetings of the Company held on 30 September 2021, 29 September 2022 and 21 December 2023.

4. UK Service Agreement entered into between Sinochem Macao and Sinochem UK

On 13 December 2022, Sinochem Macao and Sinochem UK entered into the UK Service Agreement, pursuant to which Sinochem UK would provide local supplier relations and logistics services to Sinochem Macao in Europe at cost during the period from 1 January 2023 to 31 December 2025 (both days inclusive). Pursuant to the UK Service Agreement, the service fees payable by Sinochem Macao to Sinochem UK for different products imported by Sinochem Macao and in respect of which Sinochem UK has provided services shall range from US$0.5 to US$18 per tonne.

The annual cap in respect of the fees payable by Sinochem Macao to Sinochem UK under the UK Service Agreement for each of the three years ending 31 December 2025 is US$2,300,000.

Sinochem UK is an indirect wholly-owned subsidiary of Sinochem Holdings, and is therefore a connected person of the Company. As such, the transactions contemplated under the UK Service Agreement constitute continuing connected transactions of the Company. Given that the applicable percentage ratios in respect of the annual caps for continuing connected transactions contemplated under the UK Service Agreement are more than 0.1% but less than 5%, such transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For detailed information on the aforesaid transactions, please refer to the announcement dated 13 December 2022 published by the Company.

5. *MOU entered into between Sinochem Macao and Canpotex*

On 10 July 2023, Sinochem Macao and Canpotex entered into the MOU, pursuant to which Sinochem Macao would purchase an annual volume of 500,000 tonnes of red standard grade potash from Canpotex for each of the three years ending 31 December 2025. In addition, if mutually agreed upon by the parties, Sinochem Macao would have the option to purchase from Canpotex further volumes up to 500,000 tonnes of potash per year. Pursuant to the MOU, prices of potash shall be determined through mutual negotiations between the parties with reference to prevailing international market potash prices and competitive sea import prices to the PRC.

For the three years ending 31 December 2025, the annual caps in respect of the continuing connected transactions contemplated under the MOU are US$210,000,000, US$240,000,000 and US$260,000,000.

Nutrien is an indirect substantial shareholder of the Company. Canpotex, owned as to 50% by Nutrien, is an associate of Nutrien, and is therefore a connected person of the Company. As such, the transactions contemplated under the MOU constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that the relevant applicable percentage ratios in respect of the annual caps of the continuing connected transactions contemplated under the MOU are more than 5%, such transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For detailed information on the aforesaid transactions, please refer to the announcement dated 10 July 2023 and the circular dated 23 August 2023 published by the Company. The MOU has been approved by the independent shareholders of the Company at the special general meeting of the Company held on 12 September 2023.

6. *Information System Services Agreement entered into between Sinochem Fertilizer and Sinochem Information*

On 13 July 2023, Sinochem Fertilizer entered into the Information System Services Agreement with Sinochem Information, pursuant to which Sinochem Information agreed to provide information system services to Sinochem Fertilizer, including system operation and maintenance services, genuine software procurement services and system improvement services, during the period from 1 January 2023 to 31 December 2023 (both days inclusive).

For the year ended 31 December 2023, the annual cap in respect of the fees payable by Sinochem Fertilizer to Sinochem Information under the Information System Services Agreement was RMB7,500,000.

Sinochem Information, an indirect wholly-owned subsidiary of Sinochem Holdings, is therefore a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the Information System Services Agreement constitute continuing connected transactions of the Company. Given that the relevant applicable percentage ratios in respect of the annual cap for continuing connected transactions contemplated under the Information System Services Agreement are more than 0.1% but less than 5%, such transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For detailed information on the aforesaid transactions, please refer to the announcement dated 13 July 2023 published by the Company.

7. ***Sinochem Agriculture Agreement entered into between Sinochem Fertilizer and Sinochem Agriculture***

On 5 August 2022, Sinochem Fertilizer (as the lender) and Sinochem Agriculture (as the borrower) entered into the Agreement for the Use of Fund (i.e. the Existing Sinochem Agriculture Agreement), pursuant to which Sinochem Fertilizer agreed to provide the Fund in an amount of not more than RMB1,000,000,000 to Sinochem Agriculture. The interest rate of the Fund shall be the latest loan prime rate quotation (the "LPR") for one-year loan as published by the PBOC, less 70 basis points. The interest rate of the Fund shall be adjusted on a quarterly basis based on the latest one-year LPR. The Existing Sinochem Agriculture Agreement would expire on 31 December 2024.

On 11 October 2023, Sinochem Fertilizer (as the lender) and Sinochem Agriculture (as the borrower) entered into the New Sinochem Agriculture Agreement, pursuant to which Sinochem Fertilizer agreed to continue to provide the Fund in an amount of not more than RMB1,000,000,000 to Sinochem Agriculture. The interest rate of the Fund shall be the highest interest rate of the Comparable Loans obtained by Sinochem Agriculture from independent third-party banks one month prior to the date of release of such Fund. The New Sinochem Agriculture Agreement took effect from 1 January 2024 and remain in force until 31 December 2026. The Existing Sinochem Agriculture Agreement has been terminated and replaced by the New Sinochem Agriculture Agreement, after the latter comes into effect.

Sinochem Agriculture is an indirect wholly-owned subsidiary of Sinochem Holdings and is therefore a connected person of the Company. As such, the transactions under the Existing Sinochem Agriculture Agreement and the New Sinochem Agriculture Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that one or more of the applicable percentage ratios in respect of the transactions under the Existing Sinochem Agriculture Agreement are more than 5%, and that one or more of the applicable percentage ratios in respect of the transactions under the New Sinochem Agriculture Agreement and the CNSG Agreement as mentioned below in aggregate are more than 5%, such transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For detailed information on the aforesaid transactions, please refer to the announcements dated 5 August 2022 and 11 October 2023 and the circulars dated 14 September 2022 and 6 December 2023 published by the Company. The transactions under the Existing Sinochem Agriculture Agreement and the New Sinochem Agriculture Agreement have been approved by the independent shareholders of the Company at the special general meetings of the Company held on 29 September 2022 and 21 December 2023.

8. CNSG Agreement entered into between Sinochem Fertilizer and CNSG

On 11 October 2023, Sinochem Fertilizer (as the lender) and CNSG (as the borrower) entered into the CNSG Agreement, pursuant to which Sinochem Fertilizer agreed to provide the Fund in an amount of not more than RMB500,000,000 to CNSG. The interest rate of the Fund shall be the highest interest rate of the Comparable Loans obtained by CNSG from independent third-party banks one month prior to the date of release of such Fund. The CNSG Agreement took effect from 1 January 2024 and remain in force until 31 December 2026.

CNSG is a wholly-owned subsidiary indirectly held by Sinochem Holdings (through Syngenta Group), and is therefore a connected person of the Company. As such, the transactions contemplated under the CNSG Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the applicable percentage ratios in respect of the transactions under the New Sinochem Agriculture Agreement and the CNSG Agreement in aggregate are more than 5%, such transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For detailed information on the aforesaid transactions, please refer to the announcement dated 11 October 2023 and the circular dated 6 December 2023 published by the Company. The transactions under the CNSG Agreement have been approved by the independent shareholders of the Company at the special general meetings of the Company held on 21 December 2023.

III. The annual caps approved for and the actual transacted amount of continuing connected transactions of the Group for the year ended 31 December 2023 are set out below:

Name of Transactions	Currency	For the year ended 31 December 2023 Annual caps *('000)*	Annual transacted amount *('000)*
1. Agricultural Products Purchase and Sale Framework Agreement entered into between Sinochem Fertilizer and Sinochem Holdings			
(i) Purchase of agricultural products from subsidiaries of Sinochem Holdings	RMB	975,000	741,695
(ii) Sale of agricultural products to subsidiaries of Sinochem Holdings	RMB	3,430,000	1,074,040
2. Fertilizer Import Framework Agreement entered into between Sinochem Fertilizer and Sinochem Group			
(i) Purchase of fertilizer and other fertilizer raw materials by Sinochem Group from overseas subsidiaries of the Company	USD	2,168,000	770,666
(ii) Sale of fertilizer and other fertilizer raw materials by Sinochem Group to Sinochem Fertilizer (or other domestic subsidiaries of the Company)	RMB	14,321,000	5,471,367
3. Financial Services Framework Agreement and its Supplemental Agreement entered into between the Company and Sinochem Finance			
(i) Maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance	RMB	2,000,000	1,973,525
(ii) Other Financial Services provided by Sinochem Finance (other than loans provided to the Group)	RMB	10,000	366
4. UK Service Agreement entered into between Sinochem Macao and Sinochem UK	USD	2,300	1,607
5. MOU entered into between Sinochem Macao and Canpotex	USD	210,000	128,485
6. Information System Services Agreement entered into between Sinochem Fertilizer and Sinochem Information	RMB	7,500	5,020

Transactions with joint ventures, associates and other related parties, which are disclosed as related party disclosures in note 40 to the consolidated financial statements of the annual report, do not fall under the definition of connected transactions or continuing connected transactions or were fully exempt under Chapter 14A of the Listing Rules and thus are not disclosed above.

Save as disclosed, there are no other connected transactions or continuing connected transactions of the Company which require disclosure in accordance with the Listing Rules.

IV. Confirmation from Independent Non-executive Directors

In the opinion of the Independent Non-executive Directors of the Company, the continuing connected transactions for the year ended 31 December 2023 have been entered into by the Group:

- in the ordinary and usual course of its business;
- on normal commercial terms or better; and
- according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

V. Confirmation from independent auditor in respect of the continuing connected transactions

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised), "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules", issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules.

The Board has received a letter from the independent auditor of the Company in respect of the above disclosed continuing connected transactions, which stated that:

- nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;
- for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

CONTRACTS OF SIGNIFICANCE BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDER

During the year and up to the date of this report, Sinochem Holdings is the ultimate controlling shareholder of the Company. The contracts of significance between the Company and/or its subsidiaries with the controlling shareholder and/or its subsidiaries during the year are disclosed in details in the section headed "Connected Transactions" in this Directors' Report.

MAJOR DISCLOSEABLE EVENTS

Note: Unless otherwise defined in this section or other sections in this annual report, the definitions of the companies and certain specific terms included in this section shall have the same meaning assigned to them in the respective announcements or circulars.

The Company had entered into various major discloseable events during the year, some of which have been disclosed in the section headed "Connected Transactions" above. The other major discloseable events of the Company during the year are:

1. On 7 June 2023, Yangmei Pingyuan and BOB Jinan Branch entered into a total of ten New Loan Contracts, pursuant to which BOB Jinan Branch agreed to provide the Loans in a total principal amount of RMB470,087,200 to Yangmei Pingyuan, which will be used to repay the loan provided to Yangmei Pingyuan under the Original Loan Contract. In view of the execution of the New Loan Contracts, Sinochem Fertilizer and BOB Jinan Branch entered into a total of ten Pledge Contracts on 7 June 2023, pursuant to which Sinochem Fertilizer agreed to pledge its cash deposits in a total amount of RMB478,695,900 in favour of BOB Jinan Branch to guarantee the due performance of the repayment obligations of Yangmei Pingyuan to BOB Jinan Branch under the New Loan Contracts. On the same day, Sinochem Fertilizer and Yangmei Pingyuan entered into the Guarantee Fee Agreement, pursuant to which Yangmei Pingyuan agreed to pay to Sinochem Fertilizer a guarantee fee with respect to the Guarantee every quarter at a rate of 2.5% per year of the guarantee amount under the Pledge Contracts. For the detailed information of the aforesaid transactions, please refer to the announcement dated 7 June 2023 published by the Company.

   Subsequent to 31 December 2023, Sinochem Fertilizer received a notice from BOB Jinan Branch informing that Yangmei Pingyuan did not make timely repayment in respect of its loan and therefore requesting Sinochem Fertilizer to perform its guarantee repayment obligations under its Pledge Contracts. Please refer to the section headed "Post Balance Sheet Events" in this Directors' Report for more details.

2. Yangmei Pingyuan, an associate of the Company, has received a notice from the People's Government of Pingyuan County on 1 December 2023, requiring Yangmei Pingyuan to shut down and eliminate 42 fixed bed gasifiers then in operation by 31 December 2023. Yangmei Pingyuan has made pre-shutdown preparations immediately in light of its actual production and operation to ensure a safe shutdown of the Relevant Devices. Yangmei Pingyuan gradually shut down the Relevant Devices from 6 December 2023. As at 31 December 2023, Yangmei Pingyuan ceased production completely. For detailed information on the aforesaid matters, please refer to the announcement dated 7 December 2023 and the subsequent announcement dated 31 January 2024 published by the Company.

Save as disclosed above and in this report, the Company had no other major discloseable events during the year ended 31 December 2023.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY' LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained sufficient public float exceeding 25% of its issued share capital throughout the year ended 31 December 2023 and up to the date of this report.

REMUNERATION POLICY

The emoluments of the Directors of the Company are reviewed by the Remuneration Committee of the Company from time to time with reference to the qualifications, responsibilities, experience and performance of the individual Directors, and the operating results of the Group. Details of the remuneration policy of the Group are set out in the "Corporate Governance Report" on pages 59 to 60.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme of the Group are set out in note 42 to the consolidated financial statements.

HOUSING FUNDS

The Group strictly complied with the regulations of the relevant region in respect of the contribution to the housing funds for its employees.

PERMITTED INDEMNITY PROVISION

The Company has arranged directors and officers' liabilities insurance which provides comprehensive protection for the Group's business by covering losses in relation to the investigations or claims against the Company's Directors and officers. As at the date of this report and during the year ended 31 December 2023, the permitted indemnity provision for the benefit of the Company's Directors and officers remained in force.

POST BALANCE SHEET EVENT

The following events occurred after the balance sheet date:

1. On 3 January 2024, Sinochem Fertilizer received a notice from a bank informing that its associate, Yangmei Pingyuan, did not make timely repayment in respect of its loan and therefore requesting Sinochem Fertilizer to perform its guarantee repayment obligations under its pledge contracts. The bank subsequently served further notices to Sinochem Fertilizer declaring the acceleration of maturity of Yangmei Pingyuan's other outstanding loans and requiring Sinochem Fertilizer to settle the corresponding principal and interest of such loans on behalf of Yangmei Pingyuan. In this connection, Sinochem Fertilizer fully paid off the principal and interest of such loans to the bank on behalf of Yangmei Pingyuan totaling RMB299,676,061.19 in January 2024. For more details regarding the provision of guarantee to Yangmei Pingyuan by Sinochem Fertilizer, please refer to the announcement of the Company dated 7 June 2023.

   In this connection, the Board performed assessment of the guarantee obligations of Sinochem Fertilizer in respect of the bank loans of Yangmei Pingyuan. Considering the expected payment by the Group in the event of default by Yangmei Pingyuan and the amounts expected to be received from Yangmei Pingyuan, the Directors of the Company have consequently determined to recognize credit losses on financial guarantees amounted to RMB327,895,000 in the financial statements of the Group for the year ended 31 December 2023.

2. On 1 December 2023, Yangmei Pingyuan received a notice from the People's Government of Pingyuan County, requiring Yangmei Pingyuan to shut down by 31 December 2023. Due to the shut down of Yangnmei Pingyuan, subsequent to 31 December 2023, the Group assessed the recoverable amount of the interests of Yangmei Pingyuan based on value-in-use calculation and compared with the carrying amount of the interests in Yangmei Pingyuan, which resulted in an impairment loss of RMB194,624,000 recognized in "Impairment of interests in an associate" during the year ended 31 December 2023.

3. On 26 January 2024, the Company has approved the provision by Sinochem Fertilizer of the loan in an aggregate amount of approximately RMB167,670,000 to Yangmei Pingyuan, in proportion to its shareholding to Yangmei Pingyuan, for the resettlement of Yangmei Pingyuan's employees. In this connection, on 30 January 2024, Sinochem Fertilizer entered into a loan contract with other shareholders of Yangmei Pingyuan (as other lenders) and Yangmei Pingyuan, pursuant to which, the lenders will provide loans to Yangmei Pingyuan in proportion to their respective shareholdings in Yangmei Pingyuan, including, among others, the loan in an aggregate amount of approximately RMB167,670,000 to be provided by Sinochem Fertilizer. The loan has a term of two years from the date of release of fund and the applicable interest rate shall be the loan prime rate (LPR) for one-year loans authorized for publication by the National Interbank Funding Center as announced by the People's Bank of China. The loan shall be used only for the payments in relation to the resettlement of employees for Yangmei Pingyuan. The transfer of loan amounts by Sinochem Fertilizer to Yangmei Pingyuan was made on 30 January 2024. For more details, please refer to the announcement of the Company dated 28 January 2024.

AUDITOR

The Company appointed KPMG as auditor of the Company for the year ended 31 December 2023.

For and on behalf of the Board

Su Fu
Chairman of the Board

Hong Kong, 25 March 2024

KPMG

Independent auditor's report to the shareholders of
Sinofert Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Sinofert Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 104 to 207, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirement of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Refer to note 4 to the consolidated financial statements and the accounting policies in note 2(y).

The Key Audit Matter	How the matter was addressed in our audit
The Group's revenue is principally generated from the sale of fertilizer products. The timing of revenue recognition depends on the terms of individual sales transactions and revenue is generally recognized when fertilizers are collected by the customers from the Group's premises or when the products are delivered to the location designated by customers, which is taken to be the point in time when the control of the goods have passed to customers. We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and the significance number of customers involved and range of contractual terms with customers increase the risk that revenue may not be accurately recognized upon the control of the goods being transferred.	Our audit procedures to assess the recognition of revenue included the following: • understanding and assessing the design, implementation and operating effectiveness of the key internal controls over the Group's systems which govern the revenue recognition; • inspecting sales contracts with customers on a sample basis to understand and assess the terms and conditions therein which may affect the recognition of revenue; • comparing sales transactions recorded around the year end, on a sample basis, with the underlying goods delivery notes to assess if the related revenue had been recognized in the appropriate accounting period; and • identifying journal entries with specific risk criteria relating to revenue which were raised during the year, enquiring of management the reasons for such adjustments and inspecting underlying documentation.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Yu Wai Sum.

KPMG
Certified Public Accountants

8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

25 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023
(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Revenue	4(a)	**21,728,120**	23,002,701
Cost of sales		**(19,468,573)**	(20,426,224)
Gross profit		**2,259,547**	2,576,477
Other income and gains	5	**339,782**	119,192
Selling and distribution expenses		**(581,849)**	(607,312)
Administrative expenses		**(641,812)**	(661,983)
Other expenses and losses	7(a)	**(389,945)**	(373,230)
Profit from operations		**985,723**	1,053,144
Share of results of associates		**(60,609)**	53,499
Share of results of joint ventures		**185,387**	94,573
Gain on disposal of a subsidiary		**–**	8,021
Impairment of interests in an associate		**(194,624)**	–
Finance costs	6	**(69,642)**	(22,514)
Profit before taxation	7(b)	**846,235**	1,186,723
Income tax	8(a)	**(162,119)**	(61,777)
Profit for the year		**684,116**	1,124,946
Profit for the year attributable to:			
– Owners of the Company		**625,549**	1,117,206
– Non-controlling interests		**58,567**	7,740
		684,116	1,124,946

For the year ended 31 December 2023
(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Profit for the year		684,116	1,124,946
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)		(18,488)	23,540
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas operations		4,343	(12,729)
Other comprehensive income for the year	9	(14,145)	10,811
Total comprehensive income for the year		669,971	1,135,757
Total comprehensive income attributable to:			
– Owners of the Company		611,404	1,128,017
– Non-controlling interests		58,567	7,740
		669,971	1,135,757
Earnings per share			
Basic and diluted (RMB)	13	0.0891	0.1590

The notes on pages 114 to 207 form part of these financial statements. Details of dividends payable to equity shareholders of the Company for the year are set out in note 12.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023
(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
		As at 31 December	
Non-current assets			
Property, plant and equipment	*14*	**4,580,075**	4,265,891
Right-of-use assets	*15*	**698,589**	648,849
Mining rights	*16*	**292,527**	319,614
Intangible assets	*17*	**10,198**	12,827
Goodwill	*18*	**854,137**	849,538
Interests in associates	*19*	**335,821**	746,313
Interests in joint ventures	*20*	**773,035**	647,648
Other equity securities	*21*	**164,353**	189,004
Prepayments for acquisition of property, plant and equipment		**52,752**	271,827
Deferred tax assets	*34*	**55,527**	100,534
Other long-term assets	*22*	**37,547**	37,954
		7,854,561	8,089,999
Current assets			
Inventories	*23*	**5,683,619**	5,672,836
Trade and bills receivables	*24*	**469,532**	656,889
Other receivables and prepayments	*25*	**2,032,441**	2,137,029
Other current assets	*26*	**895,995**	896,538
Loans to a fellow subsidiary	*27*	**800,000**	–
Other financial assets		**13,046**	–
Restricted bank deposits		**326,574**	12,336
Cash and cash equivalents	*28*	**3,907,133**	3,356,184
		14,128,340	12,731,812

At 31 December 2023
(Expressed in RMB)

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
Current liabilities			
Trade and bills payables	29	3,771,752	2,499,152
Contract liabilities	30	4,797,013	5,063,762
Other payables and provision	31	1,409,151	1,455,217
Bank and other borrowings	32	588,013	421,217
Lease liabilities	33	24,514	48,310
Tax liabilities		41,378	36,525
		10,631,821	9,524,183
Net current assets		3,496,519	3,207,629
Total assets less current liabilities		11,351,080	11,297,628
Non-current liabilities			
Bank and other borrowings	32	1,200,845	1,320,000
Lease liabilities	33	15,596	28,303
Deferred income		76,065	69,177
Deferred tax liabilities	34	119,446	128,690
Other long-term liabilities		20,344	19,812
		1,432,296	1,565,982
NET ASSETS		9,918,784	9,731,646

At 31 December 2023
(Expressed in RMB)

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
CAPITAL AND RESERVES			
Issued equity	35	5,887,384	5,887,384
Reserves		3,824,059	3,616,058
Total equity attributable to owners of the Company		9,711,443	9,503,442
Non-controlling interests		207,341	228,204
TOTAL EQUITY		9,918,784	9,731,646

The consolidated financial statements on pages 104 to 207 were approved and authorized for issue by the board of directors on 25 March 2024 and are signed on its behalf by:

Wang Jun
Director

Wang Ling
Director

The notes on pages 114 to 207 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023
(Expressed in RMB)

		Attributable to owners of the Company										
	Note	Issued equity *RMB'000*	Capital and other reserve *RMB'000* *(note a)*	Statutory reserve *RMB'000* *(note b)*	Contributed surplus *RMB'000* *(note c)*	Fair value reserve (non-recycling) *RMB'000* *(note d)*	Special reserve *RMB'000* *(note e)*	Exchange reserve *RMB'000* *(note f)*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2022		5,887,384	559,119	366,484	1,391,058	(93,043)	71,488	(621,415)	1,181,993	8,743,068	240,656	8,983,724
Profit for the year		–	–	–	–	–	–	–	1,117,206	1,117,206	7,740	1,124,946
Other comprehensive income for the year		–	–	–	–	23,540	–	(12,729)	–	10,811	–	10,811
Total comprehensive income for the year		–	–	–	–	23,540	–	(12,729)	1,117,206	1,128,017	7,740	1,135,757
Maintenance and production fund	*e*	–	–	–	–	–	1,467	–	(1,467)	–	–	–
Acquisition of non-controlling interests of a subsidiary		–	(50,457)	–	–	–	–	–	–	(50,457)	(15,495)	(65,952)
Dividend declared	*12*	–	–	–	(317,186)	–	–	–	–	(317,186)	(4,697)	(321,883)
Disposal of other equity securities		–	–	–	–	(104,384)	–	–	104,384	–	–	–
Balance at 31 December 2022 and 1 January 2023		**5,887,384**	**508,662**	**366,484**	**1,073,872**	**(173,887)**	**72,955**	**(634,144)**	**2,402,116**	**9,503,442**	**228,204**	**9,731,646**
Profit for the year		-	-	-	-	-	-	-	625,549	625,549	58,567	684,116
Other comprehensive income for the year		-	-	-	-	(18,488)	-	4,343	-	(14,145)	-	(14,145)
Total comprehensive income for the year		-	-	-	-	(18,488)	-	4,343	625,549	611,404	58,567	669,971
Maintenance and production fund	*e*	-	-	-	-	-	8,320	-	(8,320)	-	-	-
Dividend declared	*12*	-	-	-	(403,403)	-	-	-	-	(403,403)	(79,430)	(482,833)
Balance at 31 December 2023		**5,887,384**	**508,662**	**366,484**	**670,469**	**(192,375)**	**81,275**	**(629,801)**	**3,019,345**	**9,711,443**	**207,341**	**9,918,784**

For the year ended 31 December 2023
(Expressed in RMB)

Notes:

a. Capital and other reserve comprises the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of shares issued by the holding companies as consideration for the Group restructuring transactions in previous years; contributions from/distributions to the then ultimate holding company, Sinochem Group Co., Ltd. ("Sinochem Group", established in the People's Republic of China (the "PRC")); the difference between the carrying amount of non-controlling interests acquired and the fair value of consideration paid; and the share of the investee's net assets changes, other than profit or loss or other comprehensive income and distributions received.

b. Statutory reserve comprises reserve fund and enterprise expansion fund. In accordance with relevant rules and regulations on foreign investment enterprise established in the PRC, the Company's PRC subsidiaries are required to transfer a portion of their profit after income tax to the reserve fund, until the accumulated amount of the fund reaches 50% of their registered capital. The appropriation to the enterprise expansion fund is solely determined by the board of directors of the subsidiaries in the PRC. Reserve fund and enterprise expansion fund may be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors.

c. Contributed surplus may be used to declare or pay a dividend or make a distribution by the Company in accordance with the Companies Act 1981 of Bermuda.

d. Fair value reserve (non-recycling) comprises the cumulative net change in the fair value, net of tax, of equity investments designated at fair value through other comprehensive income (FVOCI) under HKFRS 9, *Financial instruments* that are held at the end of reporting period.

e. Special reserve comprises the fund received which can only be utilized for energy saving and emission reduction projects, and the maintenance and production fund can be appropriated/utilized in accordance to relevant PRC regulations.

f. Exchange reserve comprises foreign currency differences arising from the translation of the financial statements presented in currencies other than RMB which are dealt with in accordance with the accounting policies as set out in note 2(z).

The notes on pages 114 to 207 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023
(Expressed in RMB)

	2023 *RMB'000*	2022 *RMB'000*
Operating activities		
Profit before taxation	846,235	1,186,723
Adjustments for:		
Share of results of associates	60,609	(53,499)
Share of results of joint ventures	(185,387)	(94,573)
Interest income from a fellow subsidiary	(11,872)	(14,186)
Other interest income	(98,869)	(48,076)
Fair value changes of other financial assets	(12,976)	403
Finance costs	69,642	22,514
Depreciation of property, plant and equipment	323,806	196,502
Depreciation of right-of-use assets	62,154	62,120
Amortization of mining rights	27,087	27,133
Amortization of intangible assets	3,187	2,779
Amortization of other long-term assets	16,490	16,816
Impairment of interests in an associate	194,624	–
(Reversal of)/write-down of inventories	(10,791)	287,620
Reversal of impairment of trade and bills receivables	(4,942)	(212)
(Reversal of)/impairment of other receivables and prepayments	(93)	22,745
Impairment of other current assets	–	6,904
Gain on disposal of a subsidiary	–	(8,021)
Credit losses on financial guarantees issued	327,895	–
Net (gain)/loss on disposal of property, plant and equipment	(148,105)	10,929
Write-off of payables	(4,092)	(2,984)
Release of deferred income	(7,768)	(7,625)
Operating cash flows before movements in working capital	1,446,834	1,614,012
Increase in inventories	(59,012)	(1,212,126)
Decrease in trade and bills receivables	192,299	69,826
Decrease/(increase) in other receivables and prepayments	129,876	(263,912)
Increase in deferred income	14,656	14,470
Increase in trade and bills payables	1,257,898	65,882
(Decrease)/increase in other payables and contract liabilities	(373,679)	1,786,425
(Decrease)/increase in restricted deposits	(8,393)	4,594

For the year ended 31 December 2023
(Expressed in RMB)

	2023 *RMB'000*	2022 *RMB'000*
Operating activities (continued)		
Cash generated from operations	**2,600,479**	2,079,171
Income tax paid	**(115,340)**	(75,743)
Net cash generated from operating activities	**2,485,139**	2,003,428
Investing activities		
Purchase of property, plant and equipment	**(527,142)**	(1,190,682)
Proceeds from disposal of property, plant and equipment	**28,761**	217,849
Acquisition of land use right	**(105,500)**	–
Acquisition of intangible assets	**(558)**	(644)
Additions of other long-term assets	**(16,083)**	(41,124)
Loans to a fellow subsidiary	**(800,000)**	–
Loans repaid from a fellow subsidiary	**–**	620,000
Payment for purchase of other financial assets	**–**	(403)
Proceeds from sale of other financial assets	**–**	2,737
Interest received from a fellow subsidiary	**11,872**	14,186
Other interest income	**96,991**	53,444
Dividends received from associates	**99,259**	12,960
Dividends received from a joint venture	**60,000**	26,002
Increase of pledged deposits for financial guarantee provided to an associate	**(305,845)**	–
Proceeds from disposal of listed equity securities	**–**	132,683
Net cash used in investing activities	**(1,458,245)**	(152,992)

For the year ended 31 December 2023
(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Financing activities			
Repayment of bank loans	28(b)	(1,804,316)	(1,597,215)
Proceeds from new bank and other borrowings	28(b)	1,851,957	2,297,217
Repayment of short-term commercial paper	28(b)	–	(600,000)
Proceeds from short-term commercial paper	28(b)	–	600,000
Capital element of lease rentals paid	28(b)	(49,305)	(47,201)
Interest element of lease rentals paid	28(b)	(2,281)	(2,726)
Other Interest paid	28(b)	(67,242)	(77,148)
Payment for acquisition of non-controlling interests of a subsidiary		–	(65,952)
Dividends paid		(406,833)	(321,883)
Net cash (used in)/generated from financing activities		(478,020)	185,092
Net increase in cash and cash equivalents		548,874	2,035,528
Cash and cash equivalents at 1 January	28(a)	3,356,184	1,313,892
Effect of foreign exchange rate changes		2,075	6,764
Cash and cash equivalents at 31 December	28(a)	3,907,133	3,356,184

The notes on pages 114 to 207 form part of these financial statements.

1 GENERAL

Sinofert Holdings Limited (the "Company", together with its subsidiaries hereinafter collectively referred to as the "Group") is a limited company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. Its immediate holding company is Syngenta Group (HK) Holdings Company Limited ("Syngenta (HK) Holdings", incorporated in Hong Kong) and its ultimate holding company is Sinochem Holdings Corporation Ltd. ("Sinochem Holdings"). These entities do not produce financial statements available for public use. The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is Unit 4705, 47th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The Group is mainly engaged in manufacturing and selling of fertilizers and related products. Details of the Company's principal subsidiaries are set out in note 41.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

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"), 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 (the "Listing Rules"). Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 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 (see note 2(g));
- derivative financial instruments (see note 2(h)); and
- bills receivable.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

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 Company and subsidiaries incorporated in Hong Kong have their functional currency in Hong Kong dollars ("HK$") and subsidiaries established in the PRC, Macao Special Administrative Region ("Macao SAR") and Republic of Singapore ("Singapore") have their functional currencies in RMB, United States dollars ("US$") and US$, respectively. As majority of the Group's operation are conducted by the Group's subsidiaries in the PRC, the consolidated financial statements are presented in RMB.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA to these financial statements 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 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*

– 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*

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

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

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

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(o)(iii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group or the Company has joint control, whereby the Group or the Company has the rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

An interest in an associate or a joint venture is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). They are initially recognized at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the expected credit losses ("ECLs") model to such other long-term interests where applicable).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company's statement of financial position, an investment in an associate or a joint venture is stated at cost less impairment losses (see note 2(o)(iii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(f) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see note 2(o)(iii)).

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 37(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(y)(iv)).

- FVOCI- recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognized in profit or loss and computed in the same manner as if the financial asset was measured at amortized cost. The difference between the fair value and the amortized cost is recognized in OCI. When the investment is derecognized, the amount accumulated in OCI is recycled from equity to profit or loss.

- FVPL if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in securities (continued)

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other income in accordance with the policy set out in note 2(y)(iii).

(h) Derivative financial instruments

The Group holds derivative financial instruments to manage its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognized in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses(see note 2(o)(iii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(aa)).

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognized in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment (continued)

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives other than mining structures (see note 2(k)).

The estimated useful lives of property, plant and equipment are as follows:

Category	Useful lives
Buildings	20 – 30 years
Plant, machinery and equipment	10 – 14 years
Motor vehicles	8 years
Furniture and fixtures	4 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 2(o)(iii)). Cost comprises direct costs of construction as well as interest expense capitalized during the periods of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

(k) Mining rights

Mining rights are stated at cost less accumulated amortization and impairment losses (see note 2(o)(iii)) and are amortized based on the units of production method utilizing only recoverable reserves as the depletion base.

(l) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see note 2(o)(iii)). Expenditure on internally generated goodwill and brands is recognized as an expense in the period in which it is incurred.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Intangible assets (other than goodwill) (continued)

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognized in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

Software and others	5-10 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected to separate lease components from non-lease components and allocated the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. If not capitalized, the associated lease payments are recognized in profit or loss on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Leased assets (continued)

(i) As a lessee (continued)

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(o)(iii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Group took advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognized the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Leased assets (continued)

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognized in accordance with note 2(y)(ii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(m)(i), then the Group classifies the sub-lease as an operating lease.

(n) Activators

Activators held for use in the production of goods are stated at cost less subsequent accumulated amortization and accumulated impairments losses. Amortization is provided using the straight-line method over the estimated useful lives of 2 – 10 years.

(o) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognizes a loss allowance for ECLs on financial assets measured at amortized cost (including cash and cash equivalents, trade and other receivables, including those loans to associates and joint ventures that are held for the collection of contractual cash flows which represent solely payments of principal and interest).

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(o) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following discount rates if the effect is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

– lifetime ECLs: these are ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(o) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

– the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or

– the financial asset is 90 days past due.

The Group considers a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognized in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in the statement of financial position.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(o) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or being more than 90 days past due;

– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

– it is probable that the debtor will enter bankruptcy or other financial reorganization;

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(o) Credit losses and impairment of assets (continued)

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognized at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss.

The amount initially recognized as deferred income is subsequently amortized in profit or loss over the term of the guarantee as income (see note 2(y)(vi)).

The Group monitors the risk that the specified debtor will default on the contract and remeasures the above liability at a higher amount when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees.

A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(o)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(o) Credit losses and impairment of assets (continued)

(iii) Impairment of other assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than property carried at revalued amounts, investment property, inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(p) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The Group take advantage of practical expedient in paragraph 94 of HKFRS15 and recognize the incremental costs of obtaining a contract as an expense if the amortization of the asset is less than one year.

(q) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortized cost (see note 2(o)(i)).

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2(o)(i).

(s) Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(t) Contract liabilities

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see note 2(y)). A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see note 2(q)).

(u) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with note 2(aa).

(v) Employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(w) Income tax

Income tax expense comprises current tax and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(w) Income tax (continued)

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognized deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(x) Provisions, contingent liabilities and onerous contracts

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract (see note 2(o)(iii)).

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognized for any expected reimbursement that would be virtually certain. The amount recognized for the reimbursement is limited to the carrying amount of the provision.

(y) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group’s assets under leases in the ordinary course of the Group’s business.

Revenue is recognized when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group’s revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognized when the customers collect the goods from the Group’s premises or when the products are delivered to the location designated by customers. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognized is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(y) Revenue and other income (continued)

(i) Sale of goods (continued)

The goods can only be returned due to product quality issue. Because the number of return is extremely low in previous years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are earned.

(iii) Dividends

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

(iv) Interest income

Interest income is recognized using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(v) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. A government grant related to an asset is recognized as deferred income and amortized over the useful life of the related asset on a reasonable and systematic manner as other income or non-operating income.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(z) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognized in OCI:

– an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognized in OCI are reclassified to profit or loss);

– a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and

– qualifying cash flow hedges to the extent that the hedges are effective.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(z) Translation of foreign currencies (continued)

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognized, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(aa) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(bb) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

   (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   (iii) Both entities are joint ventures of the same third party.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(bb) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies: (continued)

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is apart, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(cc) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGMENTS AND ESTIMATES

In the application of the Group's accounting policies which are described in note 2, the directors of the Company have made judgments, estimates and assumptions. Significant judgments and sources of estimation uncertainty are as follows:

Impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The Group considers the exploitation mining right of Mozushao Phosphate deposit can be extended before it expires on 3 March 2027 in the estimation of future cash flows to be generated from the Sinchem Yunlong cash generating units (note18). Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation are disclosed in note 18.

Provision of inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value of inventories is the expected selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. These estimates could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycles. The directors of the Company reassess these estimates at the end of each reporting period.

Credit losses on financial guarantees issued

The credit losses on financial guarantees issued are based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The Group uses judgment in making these estimations, based on the Group's prior experience and default history of the business and financial results of the holders. Any increase or decrease in the provisions would affect the statement of profit or loss in future years.

4 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:

	2023	2022
	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	**5,250,381**	4,027,895
– Sales of compound fertilizer	**6,583,711**	6,477,592
– Sales of phosphate fertilizer	**5,638,764**	5,767,023
– Sales of monocalcium/dicalcium phosphate ("MCP/DCP")	**1,246,150**	1,530,881
– Sales of nitrogen fertilizer	**311,101**	3,057,428
– Sales of special fertilizer	**581,406**	393,400
– Others	**2,116,607**	1,748,482
	21,728,120	23,002,701

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.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(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 year's presentation.

(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 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 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results (continued)

2023	Basic business *RMB'000*	Growth business *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue					
External revenue	11,333,844	7,845,131	2,549,145	–	21,728,120
Internal revenue	1,898,126	2,907,604	2,376,219	(7,181,949)	–
Segment revenue	13,231,970	10,752,735	4,925,364	(7,181,949)	21,728,120
Share of results of associates	–	–	27,068	–	27,068
Segment profit	678,099	239,001	506,147	–	1,423,247
Unallocated share of results of associates					(87,677)
Unallocated share of results of joint ventures					185,387
Unallocated expenses					(803,087)
Unallocated income					128,365
Profit before taxation					846,235

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results (continued)

2022	Basic business *RMB'000*	Growth business *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue					
External revenue	12,994,444	7,441,296	2,566,961	–	23,002,701
Internal revenue	2,548,105	2,913,016	881,731	(6,342,852)	–
Segment revenue	15,542,549	10,354,312	3,448,692	(6,342,852)	23,002,701
Share of results of associates	–	–	59,842	–	59,842
Segment profit	720,070	194,272	516,173	–	1,430,515
Unallocated share of results of associates					(6,343)
Unallocated share of results of joint ventures					94,573
Unallocated expenses					(380,932)
Unallocated income					48,910
Profit before taxation					1,186,723

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Other segment information

2023	Basic business *RMB'000*	Growth business *RMB'000*	Production *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measures of segment profit:					
Reversal of impairment of trade and bills receivables	2,979	1,771	192	–	4,942
Reversal of impairment of other receivables and prepayments	–	–	93	–	93
Credit losses on financial guarantees issued	–	–	–	(327,895)	(327,895)
Impairment of interests in an associate	–	–	–	(194,624)	(194,624)
Depreciation and amortization	(41,994)	(78,687)	(311,948)	(95)	(432,724)
Reversal/(write-down) of inventories	13,439	(2,160)	(488)	–	10,791
Net (loss)/gain on disposal of property, plant and equipment	(17)	(55)	148,177	–	148,105
Write-off of payables	198	1,162	2,732	–	4,092

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Other segment information (continued)

2022	Basic business *RMB'000*	Growth business *RMB'000*	Production *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measures of segment profit:					
Reversal of impairment of trade and bills receivables	–	–	212	–	212
Impairment of other receivables and prepayments	–	–	–	(22,745)	(22,745)
Impairment of other current assets	–	–	(6,904)	–	(6,904)
Depreciation and amortization	(45,403)	(72,377)	(186,875)	(695)	(305,350)
Write-down of inventories	(250,519)	(33,153)	(3,948)	–	(287,620)
Net gain/(loss) on disposal of property, plant and equipment	4	(1,073)	(9,860)	–	(10,929)
Write-off of payables	471	2,498	15	–	2,984

(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**	
	2023 ***RMB'000***	2022 *RMB'000*	**2023** ***RMB'000***	2022 *RMB'000*
Mainland China	**20,676,931**	21,923,571	**7,633,823**	7,797,639
Others	**1,051,189**	1,079,130	**858**	2,822
	21,728,120	23,002,701	**7,634,681**	7,800,461

5 OTHER INCOME AND GAINS

	2023 RMB'000	2022 RMB'000
Rental income	9,252	5,844
Interest income from a fellow subsidiary	11,872	14,186
Other interest income	98,869	48,076
Fair value changes of other financial assets	12,976	–
Government grants *(note)*	7,013	5,132
Release of deferred income	7,768	7,625
Insurance claims received	1,612	6,386
Write-off of payables	4,092	2,984
Net gain on disposal of property, plant and equipment	148,105	–
Others	38,223	28,959
	339,782	119,192

Note:

Government grants mainly comprised payments from the government to support the business development of the Group entities in the PRC.

6 FINANCE COSTS

	2023 *RMB'000*	2022 *RMB'000*
Interest on borrowings	67,361	77,736
Interest on lease liabilities	2,281	2,726
Less: interest expense capitalized	–	(57,948)
	69,642	22,514

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Other expenses and losses

	2023 *RMB'000*	2022 *RMB'000*
Net loss on disposal of property, plant and equipment	–	10,929
Reversal of impairment of trade and bills receivables	(4,942)	(212)
Credit losses on financial guarantees issued *(note 31)*	327,895	–
(Reversal of) impairment of other receivables and prepayments	(93)	22,745
Write-down of inventories	(10,791)	287,620
Impairment of other current assets	–	6,904
Fair value changes of other financial assets	–	403
Foreign exchange loss	36,406	4,140
Loss on sales of semi-product, raw materials and scrapped materials	35,646	34,315
Others	5,824	6,386
	389,945	373,230

7 PROFIT BEFORE TAXATION (CONTINUED)

(b) Other items

	Note	2023 RMB'000	2022 RMB'000
Director's emoluments	*10*	**6,964**	17,452
Other staff benefits	*a*	**963,775**	1,063,014
Total employee benefits expenses		**970,739**	1,080,466
Depreciation charge			
– owned property, plant and equipment		**323,806**	196,502
– right-of-use assets		**62,154**	62,120
Amortization of mining rights		**27,087**	27,133
Amortization of other long-term assets		**16,490**	16,816
Amortization of intangible assets		**3,187**	2,779
Auditors' remuneration		**4,040**	3,750
Expenses relating to short-term leases and leases of low value assets, which are not included in the measurement of lease liabilities		**15,582**	14,207
Cost of inventories	*b*	**19,457,782**	20,713,844

Notes:

a Contributions to retirement benefit scheme included in other staff benefits for the year ended 31 December 2023 amounted to RMB87,658,000 (2022: RMB82,247,000).

b Cost of inventories includes RMB676,904,000 (2022: RMB405,665,000) relating to staff costs, depreciation and amortization expenses, which amount is also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2023 *RMB'000*	2022 *RMB'000*
Provision for the year	**(120,193)**	(78,443)
Deferred tax		
Origination and reversal of temporary differences	**(41,926)**	16,666
	(162,119)	(61,777)

(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 2023 is calculated at 16.5% (2022: 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 2023 is calculated at 12% of the estimated assessable profits for the year (2022: 12%).

(v) The provision for Singapore Profits Tax for 2023 is calculated at 17% (2022: 17%) of the estimated assessable profits for the year.

(vi) The Group operates in multiple jurisdictions, which will enact tax laws to implement the Pillar Two model rules published by the OECD in forthcoming years. The Group is in the process of making an assessment of what the impact of Pillar Two model is expected to be on the income taxes. So far it has concluded that the Pillar Two model is unlikely to have a significant impact on the consolidated financial statements.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

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

	2023 ***RMB'000***	2022 *RMB'000*
Profit before taxation	**846,235**	1,186,723
Tax calculated at the applicable tax rate of 25%	**(211,559)**	(296,681)
Effect of different income tax rates	**68,677**	45,435
Tax effect of non-deductible expenses	**(85,348)**	(4,045)
Tax effect of non-taxable income	**710**	897
Tax effect of share of results of associates	**(15,152)**	13,375
Tax effect of share of results of joint ventures	**46,347**	23,643
Tax effect of utilization of prior years' tax losses and deductible temporary differences previously not recognized	**99,455**	175,030
Effect of tax losses and deductible temporary difference not recognized	**(65,249)**	(19,431)
Income tax expense for the year	**(162,119)**	(61,777)

9 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	2023			2022		
	Before-tax amount	Tax expense	Net-of-tax amount	Before-tax amount	Tax benefit	Net-of-tax amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	(24,651)	(6,163)	(18,488)	10,945	12,595	23,540
Exchange differences on translation of financial statements of overseas subsidiaries	4,343	–	4,343	(12,729)	–	(12,729)
	(20,308)	(6,163)	(14,145)	(1,784)	12,595	10,811

10 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

2023

	Fees *RMB'000*	Salaries and other benefits *RMB'000*	Performance related incentive payments *RMB'000*	Retirement benefits scheme contribution *RMB'000*	Total *RMB'000*
Chairman and Non-executive director					
Mr. LIU Hongsheng *(note b)* (appointed on 6 January 2023 and resigned on 24 January 2024)	–	–	–	–	–
Executive directors					
Mr. WANG Jun (appointed on 6 January 2023)	–	868	914	36	1,818
Ms. WANG Ling (appointed on 6 January 2023)	–	611	–	48	659
Mr. MA Yue (appointed on 6 January 2023 and passed away on 29 August 2023)	–	1,051	1,869	29	2,949
Independent non-executive directors					
Mr. KO Ming Tung, Edward	484	–	–	–	484
Mr. LU Xin	484	–	–	–	484
Mr. TSE Hau Yin, Aloysius	570	–	–	–	570
	1,538	2,530	2,783	113	6,964

Notes:

a. The performance related incentive payments represented the amounts approved and paid during the year ended 31 December 2023 in respect of the performance related incentive determined with reference to the operating results of the Group, individual performance and relevant comparable market statistics for the year ended 31 December 2022. During the year ended 31 December 2023, the Group paid the performance related incentive payments of RMB3,748,000, RMB2,069,000 and RMB1,265,000 to Mr. QIN Hengde, Mr. FENG Mingwei and Mr. Harry YANG, former directors, respectively. No other remuneration has paid to the executive directors resigned during the year ended 31 December 2023.

10 DIRECTORS' EMOLUMENTS (CONTINUED)

Notes: (continued)

b. Mr. LIU Hongsheng, being non-executive director of the Company, had waived his director's fee of HK$437,000 (equivalent to approximately RMB393,000) for the year ended 31 December 2023.

   Mr. J. Erik Fyrwald, former non-executive director of the Company who resigned on 6 January 2023, had waived his director's fee of HK$7,000 (equivalent to approximately RMB6,000) for the year ended 31 December 2023.

c. No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office as a director during the year ended 31 December 2023.

Mr. QIN Hengde and Mr. FENG Mingwei resigned as executive directors of the Company on 6 January 2023. And Mr. Harry YANG resigned as an executive director of the Company on 20 March 2023.

During the year ended 31 December 2022, the Group paid the salaries and other benefits of RMB3,626,000, RMB1,908,000 and RMB1,199,000 to Mr. QIN Hengde, Mr. FENG Mingwei and Mr. Harry YANG, executive directors, respectively.

The performance related incentive payments represented the amounts approved and paid during the year ended 31 December 2022 in respect of the performance related incentives determined with reference to the operating results of the Group, individual performance and relevant comparable market statistics for the year ended 31 December 2021. During the year ended 31 December 2022, the Group paid the performance related incentive payments of RMB5,062,000, RMB2,071,000 and RMB1,086,000 to Mr. QIN Hengde, Mr. FENG Mingwei and Mr. Harry YANG, respectively.

10 DIRECTORS' EMOLUMENTS (CONTINUED)

During the year ended 31 December 2022, the Group paid the retirement benefits scheme contribution of RMB39,000, RMB46,000 and RMB53,000 to Mr. QIN Hengde, Mr. FENG Mingwei and Mr. Harry YANG, respectively.

Directors' fee waived by Mr. J. Erik Fyrwald was HK$443,000 (equivalent to approximately RMB381,000) for the year ended 31 December 2022.

Directors' fee paid to independent non-executive directors Mr. KO Ming Tung, Edward, Mr. LU Xin and Mr. TSE Hau Yin, Aloysius were RMB462,000, RMB462,000 and RMB544,000 for the year ended 31 December 2022.

During the year ended 31 December 2022, the Group paid the rental expenses of RMB420,000 and RMB474,000 for Mr. QIN Hengde and Mr. Harry YANG, respectively.

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office as a director during the year ended 31 December 2022.

11 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2022: three) were directors of the Company, whose emoluments are disclosed in note 10. The emoluments of the remaining two (2022: two) individuals were as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Salaries and other benefits	**2,249**	2,829
Performance related incentive payment *(note)*	**2,995**	3,109
Retirement benefits scheme contribution	**93**	79
	5,337	6,017

Note: The performance related incentive payments paid/payable were determined with reference to the operating results of the Group, individual performance and relevant comparable market statistics. The amount disclosed represented the amount paid during the year 2023 and 2022.

The emoluments were within the following bands:

	2023 ***Number of individuals***	2022 *Number of individuals*
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**–**	1
	2	2

12 DIVIDENDS

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

	2023 *RMB'000*	2022 *RMB'000*
Proposed final dividend of HK$0.0491, equivalent to approximately RMB0.0445 per share (2022: HK$0.0623, equivalent to approximately RMB0.0557 per share)	**312,549**	390,929

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	
	2023 *RMB'000*	2022 *RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.0623 per share (2022: HK$0.0528).	**403,403**	317,186

13 EARNINGS PER SHARE

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

	2023 *RMB'000*	2022 *RMB'000*
Earnings attributable to owners of the Company		
Earnings for the purpose of basic/diluted earnings per share	625,549	1,117,206

	2023 *'000 shares*	2022 *'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 2023 and 2022. Therefore, there was no difference between basic and diluted earnings per share.

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant, machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Furniture & fixtures *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost						
At 1 January 2022	2,176,511	2,217,403	56,326	349,541	1,820,517	6,620,298
Exchange realignment	27	–	194	130	–	351
Additions	2,268	30,256	8,729	7,348	930,671	979,272
Transfer from construction in progress	849,985	830,829	–	9,632	(1,690,446)	–
Disposals	(1,838)	(29,736)	(3,236)	(3,298)	(47,614)	(85,722)
Transfer to other current assets	–	–	–	–	(194,317)	(194,317)
At 31 December 2022	3,026,953	3,048,752	62,013	363,353	818,811	7,319,882
At 1 January 2023	**3,026,953**	**3,048,752**	**62,013**	**363,353**	**818,811**	**7,319,882**
Exchange realignment	**5**	**–**	**32**	**32**	**–**	**69**
Additions	**6,803**	**30,994**	**7,122**	**14,217**	**649,661**	**708,797**
Transfer from construction in progress	**349,820**	**393,629**	**–**	**25,530**	**(768,979)**	**–**
Disposals	**(107,719)**	**(158,206)**	**(7,205)**	**(4,206)**	**(24,732)**	**(302,068)**
At 31 December 2023	**3,275,862**	**3,315,169**	**61,962**	**398,926**	**674,761**	**7,726,680**
Accumulated depreciation and impairment						
At 1 January 2022	(992,395)	(1,656,749)	(35,597)	(157,691)	(34,877)	(2,877,309)
Exchange realignment	(24)	–	(178)	(107)	–	(309)
Charge for the year	(73,151)	(90,678)	(4,795)	(27,878)	–	(196,502)
Disposals	379	15,339	2,350	2,061	–	20,129
At 31 December 2022	(1,065,191)	(1,732,088)	(38,220)	(183,615)	(34,877)	(3,053,991)
At 1 January 2023	**(1,065,191)**	**(1,732,088)**	**(38,220)**	**(183,615)**	**(34,877)**	**(3,053,991)**
Exchange realignment	**(5)**	**–**	**(30)**	**(27)**	**–**	**(62)**
Charge for the year	**(127,867)**	**(159,689)**	**(5,634)**	**(30,616)**	**–**	**(323,806)**
Disposals	**70,736**	**150,960**	**5,998**	**3,560**	**–**	**231,254**
At 31 December 2023	**(1,122,327)**	**(1,740,817)**	**(37,886)**	**(210,698)**	**(34,877)**	**(3,146,605)**
Net book value						
At 31 December 2023	**2,153,535**	**1,574,352**	**24,076**	**188,228**	**639,884**	**4,580,075**
At 31 December 2022	1,961,762	1,316,664	23,793	179,738	783,934	4,265,891

Note: Certain items of property, plant and equipment were pledged to secure banking facilities and bank loans granted to the Group as disclosed in note 32.

15 RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets by class of underlying assets is as follows:

	Properties leased for own use *RMB'000*	Land use rights *RMB'000*	Total *RMB'000*
Cost			
At 1 January 2022	65,660	613,250	678,910
Additions	73,029	170,077	243,106
Lease matured and disposals	(4,559)	–	(4,559)
At 31 December 2022 and 1 January 2023	**134,130**	**783,327**	**917,457**
Additions	**14,377**	**105,500**	**119,877**
Lease matured and disposals	**(27,296)**	**(9,238)**	**(36,534)**
At 31 December 2023	**121,211**	**879,589**	**1,000,800**
Accumulated depreciation			
At 1 January 2022	(21,640)	(187,666)	(209,306)
Charge for the year	(50,367)	(11,753)	(62,120)
Lease matured and disposals	2,818	–	2,818
At 31 December 2022 and 1 January 2023	**(69,189)**	**(199,419)**	**(268,608)**
Charge for the year	**(47,404)**	**(14,750)**	**(62,154)**
Lease matured and disposals	**25,721**	**2,830**	**28,551**
At 31 December 2023	**(90,872)**	**(211,339)**	**(302,211)**
Net book value			
At 31 December 2023	**30,339**	**668,250**	**698,589**
At 31 December 2022	64,941	583,908	648,849

15 RIGHT-OF-USE ASSETS (CONTINUED)

Notes:

(i) Certain land use right was pledged to secure banking facilities granted to the Group as disclosed in note 32(b).

(ii) The remaining lease terms of Group's land use rights ranged from 19 to 49 years (31 December 2022: 20 to 48 years).

The analysis of expense items in relation to leases recognized in profit or loss is as follows:

	2023 *RMB'000*	2022 *RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
– Properties leased for own use	**47,404**	50,367
– Land use rights	**14,750**	11,753
	62,154	62,120
Interest on lease liabilities *(note 6)*	**2,281**	2,726
Expense relating to short-term leases and leases of low-value assets	**15,582**	14,207

During the year, additions to right-of-use assets were RMB119,877,000. This amount included the purchase of land use rights of RMB105,500,000, and the rest primarily related to the capitalized lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in note 28 and note 33, respectively.

16 MINING RIGHTS

	2023 *RMB'000*	2022 *RMB'000*
Cost		
At 1 January and 31 December	768,140	768,140
Accumulated amortization		
At 1 January	(448,526)	(421,393)
Charge for the year	(27,087)	(27,133)
At 31 December	(475,613)	(448,526)
Net book value		
At 31 December	292,527	319,614

17 INTANGIBLE ASSETS

	Software and others	
	2023 *RMB'000*	2022 *RMB'000*
Cost		
At 1 January	21,209	20,565
Additions	558	644
At 31 December	21,767	21,209
Accumulated amortization		
At 1 January	(8,382)	(5,603)
Charge for the year	(3,187)	(2,779)
At 31 December	(11,569)	(8,382)
Net book value		
At 31 December	10,198	12,827

The amortization charge for the year is included in "administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

18 GOODWILL

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cost		
At 1 January	**849,538**	822,551
Exchange adjustments	**4,599**	26,987
Carrying amount	**854,137**	849,538

Impairment testing on goodwill

For the purposes of impairment testing, goodwill has been allocated to the CGUs of the related segments as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Basic business	**195,517**	192,734
Growth business	**92,008**	90,698
Production		
– Sinochem Yunlong Co., Ltd.	**531,074**	531,074
– Others	**35,538**	35,032
	854,137	849,538

The recoverable amounts of these CGUs have been determined on the basis of value in use calculations by estimating the future cash flows expected from these CGUs. The key assumptions for the value in use calculations are those regarding the discount rates, estimated selling prices and selling quantities used in the cash flow forecasts. Cash flow forecasts are based on past practices and expectations of future changes in the market. The directors of the Company estimate pre-tax discount rates that reflect current market assessment of the time value of money and the risks specific relating to the CGUs. Cash flow forecasts of each CGU are derived from financial budgets of 2024 approved by the directors of the Company. The growth rates for the first 3 years from 2024 are based on the relevant CGUs past performance and management's expectation for the market development and for the following years are based on steady growth rates.

18 GOODWILL (CONTINUED)

Impairment testing on goodwill (continued)

The key assumptions used in the value in use calculation for related CGUs include:

2023	**Basic business**	**Growth business**	**Production**
Annual revenue growth rate during and beyond the forecast period	**3.0%**	**3.0%**	**3.0%**
Gross profit margin	**6.5%**	**7.2%**	**40.4%**
Pre-tax discount rate	**10.7%**	**10.7%**	**12.7%**

2022	Basic business	Growth business	Production
Annual revenue growth rate during and beyond the forecast period	3.0%	3.0%	3.0%
Gross profit margin	6.5%	7.2%	38.0%
Pre-tax discount rate	10.7%	10.7%	12.7%

The value in use calculated is higher than the carrying amount for each CGU, accordingly, no impairment of goodwill was recognized for the year ended 31 December 2023. A reasonably possible change in key assumptions would not cause an impairment loss.

19 INTERESTS IN ASSOCIATES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Unlisted shares, at cost	**548,965**	548,965
Share of profits, net of dividends	**(18,520)**	197,348
Impairment	**(194,624)**	–
	335,821	746,313

(Expressed in RMB unless otherwise indicated)

19 INTERESTS IN ASSOCIATES (CONTINUED)

All of the associates are accounted for using the equity method in the consolidated financial statements. The following list contains only the particulars of major associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of entities	Place of incorporation and operation	Particulars of issued capital/ registered capital	Proportion of ownership interest 2023	2022	Principal activities
Guizhou Xinxin Industrial Holdings Group Co., Ltd. 貴州鑫新實業控股集團有限責任公司	The PRC	RMB20,000,000	**24%**	24%	Production and sales of phosphate rock
Guizhou Xinxin Coal Chemical Co., Ltd. 貴州鑫新煤化工有限責任公司	The PRC	RMB20,000,000	**24%**	24%	Production and sales of coal
Yangmei Pingyuan Chemical Co., Ltd. ("Yangmei Pingyuan") 陽煤平原化工有限公司 *(note)*	The PRC	RMB560,296,500	**36.75%**	36.75%	Production and sales of fertilizers
Beijing Aerospace Hengfeng Technology Co., Ltd. ("Beijing Aerospace Hengfeng") 北京航天恒豐科技股份有限公司	The PRC	RMB89,387,137	**20%**	20%	Production and sales of fertilizers
Yitong Digital Technology Co., Ltd. ("Yitong Digital") 益通數科科技股份有限公司	The PRC	RMB166,600,000	**45%**	45%	Sales of fertilizers

On 1 December 2023, Yangmei Pingyuan received a notice from the People's Government of Pingyuan County, requiring Yangmei Pingyuan to shut down by 31 December 2023. Due to the shut down of Yangnmei Pingyuan, the Group assessed the recoverable amount of the interests of Yangmei Pingyuan based on value-in-use calculation and compared with the carrying amount of the interests in Yangmei Pingyuan, which resulted an impairment loss of RMB194,624,000 recognised in "Impairment of interests in an associate" during the year ended 31 December 2023.

19 INTERESTS IN ASSOCIATES (CONTINUED)

The directors of the Company are of the opinion that no associates are individually material to the Group. Aggregate information of associates that are not individually material are listed below:

	2023 ***RMB'000***	2022 *RMB'000*
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**335,821**	746,313
Aggregate amounts of the Group's share of those associates'		
(Loss)/profit from continuing operation	**(60,609)**	53,499
Total comprehensive income	**(60,609)**	53,499

20 INTERESTS IN JOINT VENTURES

	As at 31 December	
	2023 ***RMB'000***	2022 *RMB'000*
Unlisted shares, at cost	**374,330**	374,330
Share of profits, net of dividends	**398,705**	273,318
	773,035	647,648

20 INTERESTS IN JOINT VENTURES (CONTINUED)

All of the joint ventures are accounted for using the equity method in the consolidated financial statements. The following list contains only the particulars of major joint ventures, all of which are unlisted corporate entities whose quoted market price is not available:

Name of entities	Place of incorporation and operation	Particulars of issued capital/ registered capital	Proportion of ownership interest 2023	Proportion of ownership interest 2022	Principal activities
Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. ("Three Circles-Sinochem") 雲南三環中化化肥有限公司	The PRC	RMB800,000,000	**40%**	40%	Sales and manufacturing of fertilizers
Gansu Wengfu Chemical Co., Ltd. ("Gansu Wengfu") 甘肅甕福化工有限責任公司	The PRC	RMB245,650,000	**30%**	30%	Sales and manufacturing of fertilizers

The directors of the Company are of the opinion that no joint ventures are individually material to the Group. Aggregate information of joint ventures that are not individually material are listed below:

	2023	2022
	RMB'000	*RMB'000*
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**773,035**	647,648
Aggregate amounts of the Group's share of those joint ventures'		
Profit from continuing operation	**185,387**	94,573
Total comprehensive income	**185,387**	94,573

21 OTHER EQUITY SECURITIES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Equity securities designated at FVOCI (non-recycling)		
– Unlisted equity securities	**164,353**	189,004

22 OTHER LONG-TERM ASSETS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Activators	**37,547**	37,954

23 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Fertilizer merchandise and finished goods	**4,898,757**	4,978,366
Raw materials	**579,670**	544,265
Work in progress	**98,726**	87,776
Consumables	**106,466**	62,429
	5,683,619	5,672,836

23 INVENTORIES (CONTINUED)

(b) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	2023 *RMB'000*	2022 *RMB'000*
Carrying amount of inventories sold	**19,468,573**	20,426,224
(Reversal of)/write-down of inventories	**(10,791)**	287,620
	19,457,782	20,713,844

24 TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2023 *RMB'000*	2022 *RMB'000*
Trade receivables	**45,001**	438,613
Less: loss allowance *(note (b))*	**(2,978)**	(3,170)
	42,023	435,443
Bills receivable	**433,809**	232,496
Less: loss allowance *(note (b))*	**(6,300)**	(11,050)
	427,509	221,446
Total trade and bills receivables, net of loss allowance	**469,532**	656,889

As at 31 December 2023, the bills receivable that the Group has endorsed or discounted and de-recognized but not yet matured amounted to RMB279,972,000 (2022: RMB319,295,000).

As at 31 December 2023, the Group has pledged bills receivable of RMB55,343,000 for commodity futures trading (2022: nil).

24 TRADE AND BILLS RECEIVABLES (CONTINUED)

(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	
	2023	2022
	RMB'000	RMB'000
Within 3 months	285,569	591,589
More than 3 months but within 6 months	183,223	47,758
More than 6 months but within 12 months	740	11,196
Over 12 months	–	6,346
	469,532	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 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:

	2023	2022
	RMB'000	RMB'000
Balance at 1 January	14,220	15,262
Reversal of impairment recognized	(4,942)	(212)
Write-off of uncollectible receivables	–	(830)
Balance at 31 December	9,278	14,220

25 OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Other receivables	**232,950**	287,452
Less: loss allowance *(note)*	**(69,371)**	(69,464)
	163,579	217,988
Prepayments for inventories	**1,638,663**	1,595,914
Other prepayments	**32,534**	26,209
Deductible input VAT	**197,665**	296,918
Other receivables and prepayments	**2,032,441**	2,137,029

The movements in the loss allowance in respect of other receivables during the year are as follows:

	2023	2022
	RMB'000	*RMB'000*
Balance at 1 January	**69,464**	46,719
(Reversal of)/impairment recognized	**(93)**	22,745
Balance at 31 December	**69,371**	69,464

26 OTHER CURRENT ASSETS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Relocation of Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd. ("Sinochem Fuling")	**923,964**	924,507
Less: impairment loss	**(27,969)**	(27,969)
	895,995	896,538

The government of Fuling District in Chongqing ("the Government") and the Group entered into a relocation agreement ("the relocation agreement") on 6 August 2019. Pursuant to the relocation agreement, Sinochem Fuling, a subsidiary of the Group, will relocate its factories in Nananpu, demolish the buildings, restore the land and return it to the Government. In return, the Government will compensate the losses of Sinochem Fuling arising from the relocation, with a cap of RMB1 billion, after the land use right was transferred to the Government.

Sinochem Fuling started demolishing the factory in November 2019. Based on current estimation, the directors of the Company expect that the relocation will be completed by December 2024. The Group assessed the recoverable amount of the assets based on the compensation receivable and additional expenses to be incurred, no additional impairment loss was recognized during the year ended 31 December 2023 (2022: RMB6,904,000).

27 LOANS TO A FELLOW SUBSIDIARY

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Sinochem Agriculture Holdings Limited ("Sinochem Agriculture") *(note)*	**800,000**	–

Note: The loans lent to Sinochem Agriculture of RMB800,000,000 bear variable interest rate around 2.75%. These loans have a maturity date of 31 December 2024 but are repayable on demand.

28 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cash at bank	**3,907,133**	3,356,184
Cash and cash equivalents in the consolidated statement of cash flows	**3,907,133**	3,356,184

(b) Reconciliation of liabilities arising from financing activities

	Bank and other borrowings *RMB'000* *(note 32)*	Lease liabilities *RMB'000* *(note 33)*	Interest payable *RMB'000*	Total *RMB'000*
At 1 January 2023	1,741,217	76,613	1,808	1,819,638
Changes from financing cash flows:				
Proceeds from new bank and other borrowings	1,851,957	–	–	1,851,957
Repayment of bank loans	(1,804,316)	–	–	(1,804,316)
Capital element of lease rentals paid	–	(49,305)	–	(49,305)
Interest element of lease rentals paid	–	(2,281)	–	(2,281)
Other Interest paid	–	–	(67,242)	(67,242)
Total changes from financing cash flows	47,641	(51,586)	(67,242)	(71,187)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	12,802	–	12,802
Interest expenses *(note 6)*	–	2,281	67,361	69,642
At 31 December 2023	1,788,858	40,110	1,927	1,830,895

28 CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (continued)

	Bank and other borrowings *RMB'000* *(note 32)*	Short-term commercial paper *RMB'000*	Lease liabilities *RMB'000* *(note 33)*	Interest payable *RMB'000*	Total *RMB'000*
At 1 January 2022	1,041,215	–	52,526	1,220	1,094,961
Changes from financing cash flows:					
Proceeds from bank loans	2,297,217	–	–	–	2,297,217
Repayment of bank loans	(1,597,215)	–	–	–	(1,597,215)
Proceeds from short-term commercial paper	–	600,000	–	–	600,000
Repayment of short-term commercial paper	–	(600,000)	–	–	(600,000)
Capital element of lease rentals paid	–	–	(47,201)	–	(47,201)
Interest element of lease rentals paid	–	–	(2,726)	–	(2,726)
Other Interest paid	–	–	–	(77,148)	(77,148)
Total changes from financing cash flows	700,002	–	(49,927)	(77,148)	572,927
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	–	71,288	–	71,288
Interest expenses *(note 6)*	–	–	2,726	77,736	80,462
At 31 December 2022	1,741,217	–	76,613	1,808	1,819,638

28 CASH AND CASH EQUIVALENTS (CONTINUED)

(c) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2023	2022
	RMB'000	*RMB'000*
Within operating cash flows	**15,582**	14,207
Within investing cash flows	**105,500**	–
Within financing cash flows	**51,586**	49,927
	172,668	64,134

These amounts relate to the following:

	2023	2022
	RMB'000	*RMB'000*
Lease rentals paid	**67,168**	64,134
Prepaid lease payments	**105,500**	–
	172,668	64,134

29 TRADE AND BILLS PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade payables	**3,227,044**	1,411,139
Bills payable	**544,708**	1,088,013
Trade and bills payables	**3,771,752**	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:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**3,135,842**	1,848,826
More than 3 months but within 6 months	**607,450**	493,729
More than 6 months but within 12 months	**13,719**	117,020
Over 12 months	**14,741**	39,577
	3,771,752	2,499,152

30 CONTRACT LIABILITIES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Contract liabilities		
Sales of goods		
– Amounts due to customer for advance received	**4,797,013**	5,063,762

Movements in contract liabilities

	2023	2022
	RMB'000	*RMB'000*
Balance at 1 January	**5,063,762**	3,319,138
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the period	**(5,032,532)**	(3,283,644)
Increase in contract liabilities as a result of receiving sales deposits during the year (excluding amounts recognized as revenue during the year)	**4,765,783**	5,028,268
Balance at 31 December	**4,797,013**	5,063,762

31 OTHER PAYABLES AND PROVISION

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Payroll payables	**143,958**	202,117
Dividends payable	**25,731**	25,741
Payables for purchase of property, plant and equipment and land use rights	**51,206**	66,957
Other taxes payables *(note(i))*	**543,129**	591,477
Others	**317,232**	500,014
Financial liabilities measured at amortized cost	**1,081,256**	1,386,306
Financial guarantee liabilities *(note(ii))*	**327,895**	–
Provision for onerous contract *(note(iii))*	**–**	68,911
	1,409,151	1,455,217

Notes:

(i) Other taxes payables mainly include the output VAT collected from customers to be paid upon the completion of sales transactions.

(ii) On 7 June 2023, Sinochem Fertilizer Co., Ltd., ("Sinochem Fertilizer"), a subsidiary of the Group, entered into a guarantee agreement with Jinan Branch of Bank of Beijing Co., Ltd. ("BOB Jinan"), pursuant to which, Sinochem Fertilizer will provide a guarantee with its restricted cash deposits of RMB478,696,000 in BOB Jinan for the loans of RMB470,087,000 provided by BOB Jinan to Yangmei Pingyuan.

On 14 November 2023, Sinochem Fertilizer entered into a guarantee agreement with another bank, pursuant to which, Sinochem Fertilizer will provide a guarantee of no more than RMB22,050,000 for the loans provided to Yangmei Pingyuan.

As at 31 December 2023, the total outstanding financial guarantees provided to Yangmei Pingyuan in respect of the loan was RMB327,895,000, which will expire before 31 December 2024 and the restricted bank deposits of the Group amounting to RMB305,845,000 was pledged for those outstanding loans.

Due to the shut down of Yangmei Pingyuan, the risk of default of related loans has increased significantly. Considering the expected payment in the event of the default occurred and amounts expected to be received from Yangmei Pingyuan, the directors of the Company have consequently determined to recognize credit losses on financial guarantees provided of RMB327,895,000 during the year ended 31 December 2023.

(iii) As at 31 December 2022, the provision for onerous contract is related to certain non-cancellable purchase commitment of potash fertilizer.

32 BANK AND OTHER BORROWINGS

(a) The analysis of the carrying amount of bank and other borrowings is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Bank loans, unsecured	**216,365**	134,287
Bank loans, secured *(note i)*	**1,528,103**	1,606,930
Borrowings from Sinochem Holdings *(note ii)*	**44,390**	–
	1,788,858	1,741,217

Notes:

(i) As at 31 December 2023, bank loans of RMB1,528,103,000 are secured by the Group's right-of-use assets of RMB186,221,000 and property, plant and equipment of RMB15,614,000, respectively (2022: right-of-use assets of RMB184,114,000 and property, plant and equipment of RMB16,274,000, respectively).

(ii) The entrusted borrowings from Sinochem Holdings through Sinochem Group Finance Co., Ltd. ("Sinochem Finance") are unsecured, bear fixed interest rate of 1.35% per annum and due for repayment on 10 April 2026.

All the borrowings are interest-bearing, measured at amortized cost, repayable as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**588,013**	421,217
After 1 year but within 2 years	**256,980**	150,000
After 2 years but within 5 years	**865,977**	900,000
After 5 years	**77,888**	270,000
	1,200,845	1,320,000
	1,788,858	1,741,217
Less: amounts due within 1 year shown under current liabilities	**(588,013)**	(421,217)
Amount shown under non-current liabilities	**1,200,845**	1,320,000

32 BANK AND OTHER BORROWINGS (CONTINUED)

(a) The analysis of the carrying amount of bank loans is as follows: (Continued)

The ranges of effective interest rates on the Group's borrowings are as follows:

	Effective annual interest rate	**At 31 December 2023** *RMB'000*	Effective annual interest rate	At 31 December 2022 *RMB'000*
Variable-rate borrowings	**3.35%**	**1,345,900**	4.25%	1,409,000
Fixed-rate borrowings	**1.35%-3.50%**	**442,958**	2.00%-3.70%	332,217
		1,788,858		1,741,217

(b) Unutilized banking facilities

As at the end of the reporting period, the Group has the following unutilized banking facilities:

	As at 31 December	
	2023 *RMB'000*	2022 *RMB'000*
Expiring within 1 year	**15,968,175**	14,508,728
Expiring beyond 1 year	**5,938,448**	11,115,515
	21,906,623	25,624,243

33 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**24,514**	48,310
After 1 year but within 2 years	**14,970**	28,017
After 2 years but within 5 years	**626**	286
	15,596	28,303
	40,110	76,613

34 DEFERRED TAX ASSETS/LIABILITIES

The following is the analysis of the deferred tax balances for financial reporting purpose:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Deferred tax assets	**55,527**	100,534
Deferred tax liabilities	**(119,446)**	(128,690)
	(63,919)	(28,156)

34 DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

(a) Deferred tax assets and liabilities recognized:

Deferred tax assets and liabilities recognized and movements thereon during the current and prior years are as follows:

	Fair value adjustment on business combination RMB'000	Revaluation of other equity securities RMB'000	Right-of-use assets RMB'000	Lease liabilities RMB'000	Unrealized profits in inventories RMB'000	Impairments RMB'000	Tax losses RMB'000	Other RMB'000	Total RMB'000
At 1 January 2022	(138,073)	15,699	–	–	449	11,107	49,223	4,178	(57,417)
Credited/(charged) to profit or loss for the year	9,383	–	(16,009)	16,009	1,723	1,830	2,819	911	16,666
Credited to reserves for the year	–	12,595	–	–	–	–	–	–	12,595
At 31 December 2022 and 1 January 2023	(128,690)	28,294	(16,009)	16,009	2,172	12,937	52,042	5,089	(28,156)
Credited/(charged) to profit or loss for the year	9,244	–	(7,585)	10,028	(622)	(3,000)	(51,052)	1,061	(41,926)
Credited to reserves for the year	–	6,163	–	–	–	–	–	–	6,163
At 31 December 2023	(119,446)	34,457	(23,594)	26,037	1,550	9,937	990	6,150	(63,919)

By reference to financial budgets, the management of the Group believes that there will be sufficient future taxable profits or taxable temporary differences available in the future to utilize the deferred tax assets.

34 DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

(b) Deferred tax assets not recognized

No deferred tax assets were recognized on the tax losses of approximately RMB725,195,000 as of 31 December 2023 (2022: RMB736,548,000) as the Group determines that the realization of the related tax benefit through future taxable profits is not probable.

The unrecognized tax losses will expire in the following years:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
2023	**–**	37,837
2025	**6,250**	6,250
2026	**22,896**	22,896
2028	**18,346**	–
No expiry	**677,703**	669,565
	725,195	736,548

(c) Deferred tax liabilities not recognized

Under the tax laws of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries to overseas investors from 1 January 2008 onwards. As the Company controls the dividend policy of its PRC subsidiaries, it has the ability to control the timing of the reversal of temporary differences associated with the investment in subsidiaries. Furthermore, the Company has determined that those profits earned by its PRC subsidiaries will not be distributed to overseas investors in the foreseeable future. As such, deferred taxation has not been provided for in respect of temporary differences attributable to accumulated profits of PRC subsidiaries of RMB1,234,120,000 at 31 December 2023 (2022: RMB956,750,000).

35 ISSUED EQUITY

(a) The issued equity of the Group:

	2023 *RMB'000*	2022 *RMB'000*
At 1 January/At 31 December		
Issued shares of HK$0.10 each and share premium	**5,887,384**	5,887,384

The amount of issued equity of the Group as at 31 December 2023 and 2022 includes share capital and share premium in the consolidated statement of financial position.

(b) The details of share capital of the Company are as follows:

	2023			2022		
	Number of shares *'000*	Nominal value *HK$'000*	Equivalent to *RMB'000*	Number of shares *'000*	Nominal value *HK$'000*	Equivalent to *RMB'000*
Authorized:						
Ordinary shares par value of HK$0.10 each	**80,000,000**	**8,000,000**		80,000,000	8,000,000	
Issued and fully paid:						
At 1 January and at 31 December	**7,024,456**	**702,446**	**691,750**	7,024,456	702,446	691,750

	Number of shares	Nominal Value *HK$'000*
Preference shares		
Authorized:		
Preference shares of HK$1,000,000 each	316	316,000

No preference shares were issued at 31 December 2023 and 2022.

36 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from previous years.

The Group monitors its capital structure on the basis of debt-to-equity ratio, which is calculated based on interest-bearing debt divided by total equity. The debt-to-equity ratio of the Group as at 31 December 2023 was 18.44% (2022: 18.69%).

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of existing debt.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivable is limited because the counterparties are mainly banks and financial institutions for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in note 31, the Group does not provide any other guarantees which would expose the Group to credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 0 – 90 days from the date of billing.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade receivables (continued)

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	As at 31 December 2023		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	***RMB'000***	***RMB'000***
within 1 year	**0.26%**	**42,133**	**(110)**
more than 3 years	**100.00%**	**1,121**	**(1,121)**
		43,254	**(1,231)**

	As at 31 December 2022		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
within 1 year	0.11%	435,318	(471)
more than 1 year but within 2 years	18.70%	722	(135)
more than 2 years but within 3 years	68.97%	29	(20)
more than 3 years	100.00%	2,544	(2,544)
		438,613	(3,170)

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Financial guarantee granted

To determine ECLs for financial guarantee granted, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee.

The Group recognizes a loss allowance for financial guarantee granted equal to lifetime ECLs as there has been a significant increase in credit risk of the financial instrument since initial recognition.

The following table presents the carrying amount financial guarantee granted and the lifetime ECL allowance:

	As at 31 December 2023 Credit-impaired *RMB'000*
Gross carrying amounts	–
Loss allowance	(327,895)
Loss allowance and carrying amount	(327,895)

(b) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of credit borrowings.

The Group relies on borrowings as a significant source of liquidity. As at 31 December 2023, the Group has available unutilized bank loan facilities of approximately RMB21,906,623,000 (2022: approximately RMB25,624,243,000). Details are set out in note 32(b).

The following table details the Group's remaining contractual maturity for its financial liabilities based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

The table includes both interest and principal cash flows based on the contractual undiscounted payments of the Group's financial liabilities at the end of the reporting period.

	2023					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	3,771,752	–	–	–	3,771,752	3,771,752
Other payables measured at amortized cost	1,081,256	–	–	–	1,081,256	1,081,256
Bank and other borrowings	636,276	291,781	892,856	78,453	1,899,366	1,788,857
Lease liabilities	25,439	15,150	645	–	41,234	40,110
	5,514,723	306,931	893,501	78,453	6,793,608	6,681,975
Financial guarantees issued: Maximum amount guaranteed *(note 31)*	327,895	–	–	–	327,895	327,895

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

	2022					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	2,499,152	–	–	–	2,499,152	2,499,152
Other payables measured at amortized cost	1,386,306	–	–	–	1,386,306	1,386,306
Bank and other borrowings	485,603	204,310	1,004,465	277,400	1,971,778	1,741,217
Lease liabilities	50,204	28,435	290	–	78,929	76,613
	4,421,265	232,745	1,004,755	277,400	5,936,165	5,703,288

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to fair value interest rate risk in relation to variable-rate borrowings (see note 32 for details of the borrowings). Cash flow interest rate risk in relation to bank balances is considered insignificant. Interest rate risk is managed by the management of the Group on an ongoing basis with the primary objective of limiting the extent to which interest expense could be affected by adverse movement in interest rates.

Sensitivity analysis

At 31 December 2023, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained earnings by approximately RMB6,730,000 (2022: RMB7,045,000). Other components of consolidated equity would have increased/decreased by nil (2022: nil) in response to the general increase/decrease in interest rates.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (continued)

Sensitivity analysis (continued)

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from variable-rate borrowings held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Currency risk

Several subsidiaries of the Group have foreign currency transactions, which expose the Group to currency risk. Since the monetary items denominated in foreign currencies are not significant, the Group considers the currency risk was insignificant. The management manages its currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

Monetary assets and monetary liabilities denominated in foreign currency including mainly cash and bank balances, trade payables, other payables and borrowings that are subject to currency risk at the end of the reporting period are as follows, differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded:

	Assets		Liabilities	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
US$	**62,478**	103,423	**–**	297,660

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2023			2022		
	Increase/ (decrease) in foreign exchange rates	Effect on results of the year and retained profits *RMB'000*	Effect on other components of equity *RMB'000*	Increase/ (decrease) in foreign exchange rates	Effect on results of the year and retained profits *RMB'000*	Effect on other components of equity *RMB'000*
US$	10%	6,248	–	10%	(17,624)	–
	(10%)	(6,248)	–	(10%)	17,624	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' results of year and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2022.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value

(i) Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 31 December 2023	Fair value measurements as at 31 December 2023 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity securities	**164,353**	–	–	164,353
Bills receivable	**69,122**	–	–	69,122
Other financial assets	**13,046**	–	13,046	–
Total	**246,521**	–	13,046	233,475

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value (continued)

(i) Financial assets and liabilities measured at fair value (continued)

	Fair value at 31 December 2022	Fair value measurements as at 31 December 2022 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity securities	189,004	–	–	189,004
Bills receivable	62,310	–	–	62,310
Total	251,314	–	–	251,314

During the years ended 31 December 2023 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which the occur.

Information about Level 2 fair value measurements

- The fair value of forward foreign exchange contracts is determined with reference to the difference between the contractual forward price and the forward rate as of year end.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Rate	Inter-relationship between significant unobservable inputs and fair value measurement
Unlisted equity securities	Market comparable companies	Discount for lack of marketability(DLOM)	33%	The higher the DLOM, the lower the fair value
Bills receivable	Discounted cash flow method	Discount rate	2%	The higher the discount rate, the lower the fair value

- The valuation model of the fair value of unlisted equity securities is based on market multiples derived from quoted prices of companies comparable to the investee, adjusted for the effect of the non-marketability of the equity securities and price to book value of the investee.

- The fair value of bills receivable is measured using discounted cash flow method.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value (continued)

(i) Financial assets and liabilities measured at fair value (continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2023 RMB'000	2022 RMB'000
Unlisted equity securities:		
At 1 January	189,004	239,389
Changes in fair value during the year	(24,651)	(50,385)
At 31 December	164,353	189,004

	2023 RMB'000	2022 RMB'000
Bills receivable		
At 1 January	62,310	90,355
Net increase/(decrease)	6,812	(28,045)
At 31 December	69,122	62,310

	2023 RMB'000	2022 RMB'000
Financial guarantee liabilities		
At 1 January	–	–
Net increase	(327,895)	–
At 31 December	(327,895)	–

(ii) Fair values of financial assets and liabilities carried at other than fair value

The directors of the Company consider there is no significant difference between the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements and their fair values.

38 CONTINGENT LIABILITIES

Save as the guarantee disclosed in note 31, the Group has no material contingent liabilities at 31 December 2023 and 2022.

39 COMMITMENTS

Capital commitment

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Contracted but not provided for		
– Property, plant and equipment	**59,075**	648,197

40 RELATED PARTY TRANSACTIONS

The major related parties that had transactions with the Group during the year ended 31 December 2023 and 2022 were as follows:

Ultimate holding company
Sinochem Holdings
(中國中化控股有限責任公司)

Indirect holding companies
China National Chemical Corporation
(中國化工集團有限公司)

Syngenta Group Co., Ltd.
(先正達集團股份有限公司)

Fellow subsidiaries
Sinochem (United Kingdom) Limited
(中化(英國)有限公司)

Beijing Chemsunny Property Co., Ltd.
(北京凱晨置業有限公司)

40 RELATED PARTY TRANSACTIONS (CONTINUED)

The major related parties that had transactions with the Group during the year ended 31 December 2023 and 2022 were as follows: (continued)

Fellow subsidiaries (continued)

Sinochem Finance
(中化集團財務有限責任公司)

Sinochem Agriculture
(中化現代農業有限公司)

China National Seed Group Co., Ltd.
(中國種子集團有限公司)

Andorra (Beijing) Agricultural Technology Co., Ltd.
(安道麥(北京)農業技術有限公司)

Syngenta (China) Investment Co., Ltd.
(先正達(中國)投資有限公司)

Sinochem Hong Kong (Group) Co., Ltd. ("Sinochem Hong Kong")
(中化香港(集團)有限公司)

ADAMA Anpon (Jiangsu) Ltd.
(安道麥輝豐(江蘇)有限公司)

Adama Huifeng (Shanghai) Agricultural Technology Co., Ltd.
(安道麥輝豐(上海)農業技術有限公司)

Sinochem Crop Protection Products Co., Ltd.
(中化作物保護品有限公司)

Winall Hi-tech Seed Co., Ltd.
(安徽荃銀高科種業股份有限公司)

Guangdong Jindao Breed Industry Co., Ltd.
(廣東省金稻種業有限公司)

Hunan Dongting Hi-Tech Seed Industry Co., Ltd.
(湖南洞庭高科種業股份有限公司)

40 RELATED PARTY TRANSACTIONS (CONTINUED)

The major related parties that had transactions with the Group during the year ended 31 December 2023 and 2022 were as follows: (continued)

Fellow subsidiaries (continued)
Beijing Grand AgroChem Co., Ltd.
(北京廣源益農化學有限責任公司)

Bluestar Adisseo Nanjing Co., Ltd.
(藍星安迪蘇南京有限公司)

Sinochem Group
(中國中化集團有限公司)

Jiangsu Yangnong Chemical Group Co., Ltd.
(江蘇揚農化工集團有限公司)

Beijing Junmao Real Estate Co., Ltd.
(北京俊茂置業有限公司)

Ningxia Ruitai Technology Co., Ltd.
(寧夏瑞泰科技股份有限公司)

Adama Co., Ltd.
(安道麥股份有限公司)

Sinochem Jinmao Property Management (Beijing) Co., Ltd.
(中化金茂物業管理(北京)有限公司)

Sinochem Environment Technology Engineering Co., Ltd.
(中化環境科技工程有限公司)

Associates
Yangmei Pingyuan
(陽煤平原化工有限公司)

Beijing Aerospace Hengfeng
(北京航天恒豐科技股份有限公司)

40 RELATED PARTY TRANSACTIONS (CONTINUED)

The major related parties that had transactions with the Group during the year ended 31 December 2023 and 2022 were as follows: (continued)

Associates (continued)
Yitong Digital, also a fellow subsidiary of the Company
(益通數科科技股份有限公司)

Joint ventures
Three Circles-Sinochem
(雲南三環中化化肥有限公司)

Gansu Wengfu
(甘肅甕福化工有限責任公司)

Other related party-an investee of a fellow subsidiary with a director in common
Qinghai Salt Lake Industry Co., Ltd.
(青海鹽湖工業股份有限公司)

Associates of indirect holding companies
Heilongjiang Beidahuang Agrochemical Technology Co., Ltd.
(黑龍江北大荒農化科技有限公司)

Henan Junhua Development Co., Ltd.
(河南駿化發展股份有限公司)

Junhua Ecological Engineering Co., Ltd.
(駿化生態工程有限公司)

A subsidiary of a shareholder with significant influence over the Company
Canpotex International Pte. Limited

40 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) In addition to the transactions disclosed elsewhere in the financial statements, the Group entered into the following significant transactions with related parties during the year:

	2023 *RMB'000*	2022 *RMB'000*
Sales of fertilizers to		
Joint ventures	90,363	164,463
Associates of indirect holding companies	56,481	133,981
Fellow subsidiaries	1,074,040	1,414,825
Associates	11,566	–
	1,232,450	1,713,269
Purchases of fertilizers from		
Joint ventures	1,814,943	2,174,600
Associates	265,466	13,619
A subsidiary of a shareholder with significant influence over the company	905,138	1,653,103
Fellow subsidiaries	479,019	336,707
Associates of indirect holding companies	18,562	48,928
Other related party	1,072,653	1,346,225
	4,555,781	5,573,182
Commission received from a fellow subsidiary	4,644	6,924
Import service fee payable to a fellow subsidiary	11,321	12,788
Information service fee paid to a fellow subsidiary	5,020	–
Technical consulting service fee paid to a fellow subsidiary	5,050	–
Rental and management fee payable to fellow subsidiaries	15,353	21,187

40 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) In addition to the transactions disclosed elsewhere in the financial statements, the Group entered into the following significant transactions with related parties during the year: (continued)

	2023 *RMB'000*	2022 *RMB'000*
Loans to a fellow subsidiary	800,000	–
Loans from		
Ultimate holding company	44,390	–
A fellow subsidiary	267,710	–
	312,100	–
Repayments of loans from a fellow subsidiary	11,462	–
Repayments of loans to a fellow subsidiary	–	620,000
Interest income from a fellow subsidiary	11,872	14,186
Interest expense to related parties		
Ultimate holding company	524	–
A fellow subsidiary	6,959	–
	7,483	–
Financial guarantee issued to an associate	500,746	670,000
Guarantee charges from an associate	3,123	6,700
Service fee to a fellow subsidiary	366	168
Interest income of financial assets and deposits from a fellow subsidiary	18,258	8,661

Pursuant to an agreement with Sinochem Group, the Group purchases / sells certain agricultural products through Sinochem Group. The gross purchase and gross sale amount under this arrangement amounted to RMB5,471,367,000 and RMB5,429,111,000 respectively (2022: RMB5,146,906,000 and RMB5,021,425,000 respectively). Sinochem Group is acting as an agent of the Group. No agency fee was charged by Sinochem Group.

40 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) As at the end of the reporting period, the Group has the following material balances with its related parties:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**1,024**	2,709
Other receivables and prepayments	**413,349**	501,561
Trade and bills payables	**470,810**	813,470
Other payables	**4,012**	2,310
Contract liabilities	**76,949**	157,625
Outstanding financial guarantee issued to an associate	**327,895**	–
Loans to a fellow subsidiary	**800,000**	–
Loans from the ultimate holding company	**44,390**	–
Loans from a fellow subsidiary	**256,248**	–
Cash and cash equivalents	**1,915,921**	1,942,996

(c) Compensation of key management personnel

Key management personnel are Group's directors and senior executives. Remuneration paid or payable to the directors was disclosed in note 10, and was determined by the Remuneration Committee according to individual performance and relevant comparable market statistics. Remuneration paid or payable to senior executives is as follows:

	2023	2022
	RMB'000	*RMB'000*
Salaries and other benefits	**2,321**	4,970
Performance related incentive payment	**4,037**	6,880
Retirement benefits scheme contribution	**98**	160
	6,456	12,010

40 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Transactions/balances with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by Chinese government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under Sinochem Holdings which are controlled by Chinese government. Apart from the transactions with Sinochem Holdings and fellow subsidiaries and other related parties as disclosed above, the Group also conducts business with other government-related entities. The directors of the Company consider those government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

At the end of the reporting period, the Group had the following significant balances with other government-related entities in the PRC.

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade and bills receivables	**36,908**	5,337
Other receivables and prepayments	**159,774**	216,576
Trade and bills payables	**15,178**	37,120
Other payables	**–**	364
Contract liabilities	**220,336**	292,726

40 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Transactions/balances with other state-controlled entities in the PRC (continued)

During the year, the Group had the following significant transactions with other government-related entities as follows:

	2023	2022
	RMB'000	*RMB'000*
Sales of fertilizers	**1,228,129**	837,815
Purchases of fertilizers	**546,936**	2,078,533

In addition, the Group has entered into various transactions, including deposits placements, borrowings and other banking facilities, with certain banks that are government-related entities in its ordinary course of business. In view of the nature of those banking transactions, the directors of the Company are of the opinion that separate disclosure would not be meaningful.

Except for amounts and transactions disclosed above, the directors of the Company are of the opinion that transactions with other government-related entities are not significant to the Group's operations.

(Expressed in RMB unless otherwise indicated)

41 PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at 31 December 2023 and 2022:

Name of subsidiaries	Place of incorporation/ registration	Place of principal operation	Issued capital/ registered capital	Proportion ownership interest held by the Group 2023	2022	Principal activities
Calorie Ltd.	Hong Kong	Hong Kong	34,000 shares	100%	100%	Investment holding
Sinochem Fertilizer (中化化肥有限公司) *(note a)*	The PRC	The PRC	RMB10,600,000,000	100%	100%	Fertilizer trading
Dohigh Trading Limited (敦尚貿易有限公司)	Hong Kong	Hong Kong	15,000,000 shares	100%	100%	Fertilizer trading
Sinochem Fertilizer Macao Limited (中化化肥澳門有限公司)	Macao SAR	Macao SAR	100,000 shares	100%	100%	Fertilizer trading
Suifenhe Xinkaiyuan Trading Co., Ltd. *(note c)* (綏芬河新凱源貿易有限公司)	The PRC	The PRC	RMB5,000,000	100%	100%	Fertilizer trading
Fujian Sinochem Zhisheng Chemical Fertilizer Co., Ltd. *(note c)* (福建中化智勝化肥有限公司)	The PRC	The PRC	RMB47,000,000	53.19%	53.19%	Sales and manufacturing of fertilizers
Sinochem Fuling *(note c)* (中化重慶涪陵化工有限公司)	The PRC	The PRC	RMB1,058,000,000	74.56%	74.56%	Sales and manufacturing of fertilizers
Sinochem Yunlong *(note c)*(中化雲龍有限公司)	The PRC	The PRC	RMB500,000,000	100%	100%	Sales and manufacturing of feeds stuff
Sinochem Yantai Crop Nutrition Co., Ltd. *(note b)* (中化(煙台)作物營養有限公司)	The PRC	The PRC	US$1,493,000	100%	100%	Sales and manufacturing of fertilizers
Manzhouli Kaiming Fertilizer Co., Ltd. *(note c)* (滿洲里凱明化肥有限公司)	The PRC	The PRC	RMB5,000,000	100%	100%	Fertilizer trading
Sinochem Jilin Changshan Chemical Co., Ltd. *(note c)* (中化吉林長山化工有限公司)	The PRC	The PRC	RMB2,838,650,000	98.16%	98.16%	Sales and manufacturing of fertilizers

(Expressed in RMB unless otherwise indicated)

41 PRINCIPAL SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Group as at 31 December 2023 and 2022: (continued)

Name of subsidiaries	Place of incorporation/ registration	Place of principal operation	Issued capital/ registered capital	Proportion ownership interest held by the Group 2023	2022	Principal activities
Sinochem Agricultural Ecological Technology (Hubei) Co., Ltd. *(note c)* (中化農業生態科技(湖北)有限公司)	The PRC	The PRC	RMB300,000,000	98%	98%	Sales and manufacturing of fertilizers
Sinochem Shandong Fertilizer Co., Ltd. *(note c)* (中化山東肥業有限公司)	The PRC	The PRC	RMB100,000,000	91%	91%	Sales and manufacturing of fertilizers
Sinochem Agriculture (Xinjiang) Biotech Co., Ltd. *(note c)* (中化農業(新疆)生物科技有限公司)	The PRC	The PRC	RMB150,000,000	100%	100%	Sales and manufacturing of fertilizers
Sinochem Agriculture (Linyi) R&D Centre Co., Ltd. *(note c)* (中化農業(臨沂)研發中心有限公司)	The PRC	The PRC	RMB122,300,000	100%	100%	Development of agriculture products
Sinochem Fertilizer Singapore PTE. LTD.	Singapore	Singapore	6,605,000 shares	100%	100%	Sales of fertilizers
Sinochem Agricultural Ecological (Hainan) Co., Ltd. *(note a)* (中化(海南)農業生態有限公司)	The PRC	The PRC	RMB750,000,000	100%	100%	Fertilizer trading
Sinochem Linyi Crop Nutrition Co., Ltd. *(note a)* (中化(臨沂)作物營養有限公司)	The PRC	The PRC	US$10,000,000	100%	100%	Fertilizer trading

41 PRINCIPAL SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Group as at 31 December 2023 and 2022: (continued)

Note a: Foreign invested enterprise

Note b: Sino-foreign enterprise

Note c: Domestic company

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

The directors of the Company are of the opinion that none of its subsidiaries has non-controlling interests material to the Group.

42 RETIREMENT BENEFITS SCHEME CONTRIBUTION

According to the relevant laws and regulations in the Mainland China, Hong Kong and Macao SAR, the Group's certain subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The contribution to fund the retirement benefits of the employees are calculated based on certain percentage of the average employee salary as agreed by local municipal government to the scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contribution under the schemes. Contributions to the schemes vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

43 INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Non-current assets		
Investments in subsidiaries	**4,625,274**	4,559,432
Amounts due from subsidiaries	**1,679,280**	1,656,025
Right-of-use assets	**–**	199
Other non-current assets	**289,826**	650,109
	6,594,380	6,865,765
Current asset		
Cash and cash equivalents	**2,524**	1,044
Current liabilities	**167,505**	140,641
Net current liabilities	**(164,981)**	(139,597)
Total assets less current liabilities	**6,429,399**	6,726,168
NET ASSETS	**6,429,399**	6,726,168
CAPITAL AND RESERVE		
Issued equity	**5,887,384**	5,887,384
Contributed surplus	**670,469**	1,073,872
Exchange reserve	**(272,495)**	(376,474)
Retained earnings	**144,041**	141,386
TOTAL EQUITY *(note)*	**6,429,399**	6,726,168

43 INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Issued equity *RMB'000*	Contributed surplus *RMB'000*	Exchange reserve *RMB'000*	Retained earnings *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2022	5,887,384	1,391,058	(953,785)	5,518	6,330,175
Changes in equity for 2022					
Profit for the year	–	–	–	135,868	135,868
Other comprehensive income for the year	–	–	577,311	–	577,311
Dividends approved in respect of the previous year *(note 12)*	–	(317,186)	–	–	(317,186)
Balance at 31 December 2022 and 1 January 2023	5,887,384	1,073,872	(376,474)	141,386	6,726,168
Changes in equity for 2023					
Profit for the year	**–**	**–**	**–**	**2,655**	**2,655**
Other comprehensive income for the year	**–**	**–**	**103,979**	**–**	**103,979**
Dividends approved in respect of the previous year *(note 12)*	**–**	**(403,403)**	**–**	**–**	**(403,403)**
Balance at 31 December 2023	**5,887,384**	**670,469**	**(272,495)**	**144,041**	**6,429,399**

(Expressed in RMB unless otherwise indicated)

44 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 26 January 2024, the Company has approved the provision by Sinochem Fertilizer, a subsidiary of the Company, of the loan in an aggregate amount of approximately RMB167,000,000 to Yangmei Pingyuan, in proportion to its shareholding to Yangmei Pingyuan, using for the resettlement of Yangmei Pingyuan's employees. On 30 January 2024, Sinochem Fertilizer entered into a loan agreement with Yangmei Pingyuan, pursuant to which, Sinochem Fertilizer will lend a loan of RMB167,000,000 to Yangmei Pingyuan, with a rate of one-year Loan Prime Rate ("LPR") per annum and maturity of 2 years.

45 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")*	1 January 2024
Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")*	1 January 2024
Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*	1 January 2024
Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements*	1 January 2024
Amendments to HKAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January 2025

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**21,728,120**	23,002,701	22,641,396	21,380,740	22,950,942
Profit before tax	**846,235**	1,186,723	900,122	671,742	650,325
Income tax	**(162,119)**	(61,777)	(19,615)	(18,317)	(5,993)
Profit for the year	**684,116**	1,124,946	880,507	653,425	644,332
Profit attributable to					
– Owners of the Company	**625,549**	1,117,206	866,612	644,074	615,767
– Non-controlling interests	**58,567**	7,740	13,895	9,351	28,565
	684,116	1,124,946	880,507	653,425	644,332

	At 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**21,982,901**	20,821,811	17,494,493	17,109,032	16,873,775
Total liabilities	**(12,064,117)**	(11,090,165)	(8,510,769)	(8,942,481)	(9,172,375)
Net assets	**9,918,784**	9,731,646	8,983,724	8,166,551	7,701,400

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