

# 中化化肥控股有限公司 SINO FERT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability) Stock Code: 297

INTERIM REPORT  
**2023**

**NURTURING CHINA'S  
AGRICULTURE SECTOR**





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# Definitions

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

<b>Term</b>	<b>Definition</b>
"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
"controlling shareholder"	has the same meaning ascribed to it under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"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
"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 10 to the Listing Rules
"PRC" or "China"	the People's Republic of China, which for the purposes of this interim report only, excludes Hong Kong, Macao and Taiwan



## Definitions (continued)

<b>Term</b>	<b>Definition</b>
“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 Futures 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
“Sinochem Fertilizer”	中化化肥有限公司 (Sinochem Fertilizer Company Limited), an indirect wholly-owned subsidiary 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
“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
“%”	percent



# CORPORATE INFORMATION



## Corporate Information

### Board of Directors

#### **Non-Executive Director**

Mr. LIU Hongsheng (*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

#### **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

The Hongkong and Shanghai Banking Corporation Limited

### 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](http://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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# CHAIRMAN'S STATEMENT



## Chairman's Statement

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

In the first half of 2023, with the easing of global supply chain tension and the gradual release of fertilizer production capacity, the market for fertilizer products was at a stage of supply exceeding demand, with strong wait-and-see sentiment prevailing in the market, and the prices of fertilizer products continued to decline. In the face of severe market challenges, the Group unswervingly promoted the "Bio+" strategic transformation, continued to expand diversified channels, focused on differentiated products through research and development and innovation, and made breakthroughs under the guidance of Sinochem Holdings and Syngenta Group, and achieved better results in various aspects. In the first half of 2023, the Group achieved a net profit of RMB1,071 million, representing a year-on-year increase of 6.14%, while profit attributable to shareholders of the Company amounted to RMB1,004 million, representing a year-on-year increase of 0.6%, demonstrating its strength in maintaining profitability. The Group's various operating indicators were in good shape, with a sound asset and liability structure and strong risk resilience.

In the first half of 2023, the Group continued to fulfill its role as a state-owned enterprise, firmly implemented the requirements of the State to assure supply and stabilize prices, continuously consolidated the cooperative relationship with strategic suppliers, strengthened the acquisition of high-quality resources, maintained the competitive price for global potash, and reduced the cost of fertilizers for use by farmers. The Group also gave full play to the advantages of the supply chain, strengthened the in-depth development of downstream channels, and assured the supply of goods reach the industrial and agricultural end-users directly. Capitalizing on the advantages of multi-type supply guarantee and innovative services, we increased the market development and promotion of

differentiated products such as Fenghexiang Agricultural Potash and Meilinmei Series Phosphorus Fertilizer, and utilized the advantages of Fertex online platform to strengthen the ability of meeting customers' demand, further expanding the customer base and increasing the market share. We will improve the green planting service model, continue to enhance digitalization and technological content of our products, and through scientific proportioning, differentiated formulations and process simplification, help growers reduce production costs while reducing carbon emissions, and improve production efficiency and economic benefits.

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

The production enterprises under the Group practiced the concept of green development, kept integrity and innovation, strengthened the construction of FORUS system, and strictly managed internal control to assure the safe, stable and sustaining operation; at the same time, they overcame the unfavorable factors such as declining product prices, gave full play to the advantages of resources, reduced cost and enhanced efficiency, and maintained a reasonable level of profitability. Sinochem Fuling Chongqing Chemical



Industry Co., Ltd. (“Sinochem Fuling”) has become a new driving force for the Group’s performance growth following the smooth commissioning of production of its various plants.

The R&D team has been expanding steadily with increased investment and the R&D capability has been further strengthened. Relying on the national-grade R&D platform of “National Engineering Research Center for Cultivated Land Protection”, which was established in cooperation with the Chinese Academy of Agricultural Sciences and other scientific research institutes, the Group has carried out technological research and integrated development in three major directions of “biotechnology – soil health – nutrient efficiency”, continuously increasing the utilization efficiency of fertilizers and improving soil health. Breakthroughs were made in its biologic and “Bio+” fertilizer products, and a total of 753,900 tons of new research products were commercialized in the first half of 2023, and the synergy between research, production and marketing was further strengthened.

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

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

Last but not least, on behalf of the Board of Directors, I would like to extend our deep appreciations and sincere thanks to the shareholders and customers of the Company. We hope to have your continuous attention and support in the future. The management and staff of the Company will bear in mind the original mission of working for the welfare of farmers in China and the transformation of the Chinese agriculture industry, and we will work ever harder to continuously make contribution to the development of the Group.

**LIU Hongsheng**  
*Chairman of the Board*

Hong Kong, 28 August 2023



# Chronicle of Events

## JANUARY 2023

The project “Green Efficiency Technology Innovation and Application of Bulk Fertilizer” jointly applied by the Group, IARRP of CAAS and China BlueChemical was awarded the “Second Prize for Scientific and Technological Innovation” of China Petroleum and Chemical Industry Federation in 2022. The research and development and application of such technology has significantly contributed to the phosphorus resources of China as well as the green and sustainable development of phosphorus fertilizer industry.

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## FEBRUARY 2023

The Group and Qinghai Salt Lake Industry Co., Ltd. (“Qinghai Salt Lake”) have 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 implement the requirement of maintaining the supply and price of domestic potash and safeguard the interests of farmers and food security in China.

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## APRIL 2023

Sinochem Yunlong Co., Ltd. (“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.

## Chronicle of Events (continued)

### MAY 2023

The Group has 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 reaching cooperation intentions, but also makes positive efforts for international enterprises to have a deeper understanding of China's fertilizer enterprises and industry.



### JUNE 2023

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



# Management Review and Prospect

## Business Environment

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

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

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

## Financial Performance

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



## Management Review and Prospect (continued)

### Research and Development

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

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

### Production and Manufacturing

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

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



## Management Review and Prospect (continued)

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

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

### **Potash Operations:**

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



## Management Review and Prospect (continued)

### *Phosphate Fertilizer Operations:*

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

### *Compound Fertilizer Operations:*

In the first half of 2023, the compound fertilizer business maintained a high quality development. Guided by the "Bio+" strategy, the Group accelerated the development and operation of nutrient-efficient, bio-fertilizers and soil health products, effectively implemented the national strategy of arable land quality enhancement, and accelerated the optimization of the product structure of compound fertilizers, with the sales volume of differentiated products reaching 960,000 tons, accounting for 70% of the total differentiated products. At the same time, the Company implemented a product management model driven by market capacity building, continuously improved its technical services and marketing promotion standards, and accelerated the growth scale of biological core products. Focusing on the solution of basic planting problems, improvement of product effectiveness, and aiming at reducing consumption and raising efficiency, yield and quality, the Group increased the transformation of self-research results and introduction of external technology, and through the comprehensive application of leading technologies such as bio-starting technology, microbial blending technology and organic and inorganic coupling, the Group launched the high-end grain crop big single product "Kedefeng", and researched and developed synergistic new product "Lanlin" with Syngenta Group. "Lanlin" and "Yaxin" formed a matrix of high-end economic crop and food crop products.



## Management Review and Prospect (continued)

### ***Special Fertilizer Operations:***

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

### ***Collaboration with Syngenta Group***

In the first half of 2023, adhering to the strategy of promoting cross-business synergistic development with Syngenta Group China, the Group actively carried out comprehensive synergistic development with various business units of Syngenta Group China to promote the high quality and rapid development of plant protection and seed business. Syngenta Group China achieved sales revenue of RMB21 million from the research and development of customized products for the Group, and with the launch of the customized seed coating agent, Maiyouban, the space and opportunities for

market synergy have been further expanded; the seed synergy business was carried out in a comprehensive manner, and the synergy between the Group and the seed business achieved rapid growth in high quality in crops such as rice, maize, vegetables and wheat.

### **Technical Services and Digital Innovation**

In the first half of 2023, the Group continued to promote free soil testing services, technical guidance for field activities, online and offline technical seminars, and the protection of rights and anti-counterfeiting, and integrated quality resources to provide farmers with a full range of technical solutions for crop plantation. By combining soil improvement with fertilizer application, the Group explored new modes of scientific fertilizer application which improved the soil environment and reduced the amount of pesticide and fertilizer application. Fertilizer and pesticide solutions were developed according to the characteristics of crops. Good seeds and good methods were promoted for the efficient development of the agricultural industry. The comprehensive integration of the advantages of biotechnology has also promoted the green and sustainable development of agriculture through biotechnology empowerment. The combination of online and offline services with private domain labeling deposition has accelerated user attraction. A total of 13,980 "Nong Xiao Hui" online retail shops were formed with overall coverage of agricultural counties of over 80%.



## Management Review and Prospect (continued)

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

### Internal Control and Management

The Group's internal control and risk management system was established according to the "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission in the United States, the "Risk Management – Guidelines" published by the International Organization for Standardization and the "Internal Control and Risk Management – A Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants, and following the "Central Enterprises Comprehensive Risk Management Guidelines", the "Basic Rules of Corporate Internal Control" and its referencing guidelines, and the "Central Enterprises Compliance Management Guidelines" of China as well as in compliance with

the national requirements on strengthening internal control system establishment and supervision in recent years. Under the principle of "high priority, frequent monitoring and diversion as the main solution" and with risk management orientation, the Company paid attention to improving risk and internal control management mechanism in line with strategic development and integrated with business management. Through risk identification, assessment and responsive measures, the Group implemented a whole process risk management, alert and response measures on material risks to serve its value creation.

In the first half of 2023, the Group has undergone organisational restructuring. For safeguarding the rationality of the design and operational effectiveness of the internal control system, on the basis of continuing to carry out risk identification work, monitoring significant risks and comprehensively investigate operational risk events and focus on the establishment of a mechanism with long-term effect, the Company has launched a large-scale review and revision of the system of rules and regulations and the system of rights and responsibilities to ensure the smooth and orderly operation and management, and to enhance the standard of operation and management as well as the ability of risk prevention. The Group also actively utilized various means to increase the promotion of risk management, raise risk awareness, promote managers at all levels to firmly establish the scientific concept of operation and safety, and actively create a benign risk and internal control atmosphere of "sound operation and healthy development". The Group has continued to embed risk management and compliance management requirements into its business processes, strengthened informationization, reinforced the main responsibility of risk management in business units, explored differentiated risk internal control management mechanisms for different business units and focus on hazard detection and reviewing under the "Bio+" strategic transformation of the Company.



## Management Review and Prospect (continued)

In the first half of 2023, the internal control and management of the Group met the compliance requirements of domestic and foreign regulatory agencies and ensured compliance and healthy development of our business. The Group's internal control and management provided a reasonable guarantee for adaptation to changes in the market and operating environment, support for the strategic transformation of the Company, protection for interests of shareholders of the Group and asset safety, and improvement of business quality and strategy implementation.

### Social Responsibility

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

In response to the call of the Central Committee and the State Council, the Group has taken various measures to ensure supply and price stability in line with the implementation of national policies and macro control, thereby fulfilling the responsibilities of our role as a state-owned enterprise. With safe production assured, the Group made every effort to fully utilize our internal production capacity such that our products were available to the domestic market in a timely manner. By leveraging our advantages in capital, warehousing and logistics, the Group joined hands with major upstream suppliers to bring more products to the domestic market to ensure product supply in the market. We have strengthened the optimization of logistics and promoted offline services such as scientific fertilization application to enhance our end-user service capability.

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

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



## Management Review and Prospect (continued)

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

### Outlook

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

The Chinese government makes full effort to stabilize agricultural fundamentals. The “No. 1 Central Document for 2023” anchors the goal of accelerating the construction of a strong agricultural country, focuses on the theme of rural revitalization, enforces the ideas of “guarding the bottom line, promotes revitalization and strengthening protection”, and accelerates the construction of agricultural and rural modernization through technological innovation and technical innovation. Being a leading technology based marketing and service provider of crop nutrition in China, the Group will continue to push forward the “Bio+” strategic transformation, promote the modern agricultural technology service platform, strengthen product research and development, comprehensively enhance the productivity of agriculture, ensure the stable supply and price of fertilizer products, promote the development of rural revitalization and modernization of agriculture, and strive to promote the development of Chinese agriculture in the direction of high quality.

In 2023, under the Syngenta Group China’s structure, the Group will actively implement the national policy of securing supply and stabilizing prices, deepen procurement channels and fully utilize our own resource advantages to support the strategic transformation of the Group by strengthening and extending the industrial chain. Focusing on green, low-carbon, sustainable products and technology solutions to increase R&D efforts, the Group will seize the development opportunities in the field of biological agents, soil health and other areas, consolidating “Bio +” strategy, to achieve high-quality development, and continue to create value for shareholders.



# Management's Discussion and Analysis

For the six months ended 30 June 2023, sales volume of the Group was 3.97 million tons, down by 15.71% over the six months ended 30 June 2022. Revenue of the Company was RMB13,128 million, down by 14.23% over the six months ended 30 June 2022. For the six months ended 30 June 2023, gross profit of the Group was RMB1,550 million, up by 3.33% over the six months ended 30 June 2022. Profit attributable to owners of the Company was RMB1,004 million, increased by 0.60% over the six months ended 30 June 2022.

## I. OPERATION SCALE

### (I) Sales volume

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

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

## Management's Discussion and Analysis (continued)

### (II) Revenue

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

**Table 1:**

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



## Management's Discussion and Analysis (continued)

### (III) Revenue and results by segment

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

Below sets forth an analysis of the Group's revenue and results by operating segment for the six months ended 30 June 2023 and the six months ended 30 June 2022:

**Table 2:**

	For the six months ended 30 June 2023				
	Basic Business RMB'000	Growth Business RMB'000	Production RMB'000	Elimination RMB'000	Total RMB'000
<b>Revenue</b>					
External revenue	6,467,950	5,278,397	1,381,580	–	13,127,927
Internal revenue	619,859	1,762,097	1,346,922	(3,728,878)	–
Segment revenue	7,087,809	7,040,494	2,728,502	(3,728,878)	13,127,927
Segment profit	534,689	314,470	356,036	–	1,205,195
	For the six months ended 30 June 2022				
	Basic Business RMB'000	Growth Business RMB'000	Production RMB'000	Elimination RMB'000	Total RMB'000
<b>Revenue</b>					
External revenue	8,586,685	5,426,497	1,293,267	–	15,306,449
Internal revenue	1,444,091	1,921,215	439,162	(3,804,468)	–
Segment revenue	10,030,776	7,347,712	1,732,429	(3,804,468)	15,306,449
Segment profit	570,078	226,841	330,577	–	1,127,496



## Management's Discussion and Analysis (continued)

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

For the six months ended 30 June 2023, the external revenue of the Group decreased by RMB2,178 million or 14.23% over the six months ended 30 June 2022, mainly resulted from the dual impact of sluggish end demand and downward market prices.

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

## II. PROFIT

### *(I) Share of results of joint ventures and associates*

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



## Management's Discussion and Analysis (continued)

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

### **(II) Income tax**

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

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

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

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

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



## Management's Discussion and Analysis (continued)

### III. EXPENSES

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

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

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

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

### IV. OTHER INCOME AND GAINS

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

### V. OTHER EXPENSES AND LOSSES

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



## Management's Discussion and Analysis (continued)

### VI. INVENTORIES

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

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

### VII. TRADE AND BILLS RECEIVABLES

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

*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 180 days.

### VIII. LOANS TO A RELATED PARTY

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

### IX. INTERESTS IN JOINT VENTURES AND ASSOCIATES

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



## Management's Discussion and Analysis (continued)

### **X. INVESTMENTS IN OTHER EQUITY INSTRUMENTS**

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

### **XI. INTEREST-BEARING LIABILITIES**

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

### **XII. TRADE AND BILL PAYABLES**

As at 30 June 2023, the balance of the Group's trade and bills payables amounted to RMB3,918 million, increased by RMB1,419 million or 56.78% compared with RMB2,499 million as at 31 December 2022, which was mainly due to an increase in the trade payables balance due to the Group's active extension of credit period.

### **XIII. OTHER PAYABLES AND PROVISION**

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



## Management's Discussion and Analysis (continued)

### XIV. OTHER FINANCIAL INDICATORS

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

For the six months ended 30 June 2023, the Group's basic earnings per share was RMB0.1429 and return on equity (ROE) was 10.24%, which was essentially maintained at the level as compared to the corresponding period.

**Table 3:**

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

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

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

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

## Management's Discussion and Analysis (continued)

**Table 4:**

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

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

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

### XV. LIQUIDITY AND FINANCIAL RESOURCES

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

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

Below is the analysis of interest-bearing liabilities of the Group:

**Table 5:**

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



## Management's Discussion and Analysis (continued)

**Table 6:**

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

**Table 7:**

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

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

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



## Management's Discussion and Analysis (continued)

### XVI. OPERATIONAL AND FINANCIAL RISKS

The Group's major operational risks include geopolitical tensions, decelerated global economic and trade growths, monetary tightening and fluctuations in commodity prices. In the first half of 2023, affected by the continuing global economic downturn, the recovery of domestic economy fell short of expectation. In addition, market competition in the fertilizer industry has been intensified in the backdrop of fertilizer application reduction and efficiency enhancement, energy conservation and environmental protection as well as acceleration of industry integration. Under such circumstances, the Group took proactive measures to cope with the unfavorable market conditions, results performance in the current period was slightly improved compared with the same period of the previous year and corporate confidence was boosted. On the one hand, the Group continued to cultivate strategic procurement channels, give full play to its supply chain advantages, secure the acquisition of high-quality resources, strengthen synergies with member enterprises of the Syngenta Group, and enhance its brand position and profitability. On the other hand, we continued to promote strategic transformation, integrate resources, achieve product differentiation through R&D, production and marketing synergies, optimize our product mix with focus on core crops, crop cultivation and soil health maintenance, so as to continuously improve profitability and reduce the adverse impact of operational risks on the Company's financial performance.

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

#### *Environmental and social risks*

With the increasingly stringent requirements on environmental protection management and gradually intensive efforts in pollution control from the government, enterprises have been required to attach great importance to ecological civilization and environmental protection. The subsidiaries of the Group that engaged in resource exploitation and fertilizer production, strictly comply with laws and regulations such as the Environmental Protection Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China as well as the Water Pollution Prevention and Control Law of the People's Republic of China. Through stringent investigation and management on sources of corporate environmental risks, the subsidiaries of the Group implement measures to prevent and control pollution of air, surface water, underground water and soil. In addition, they formulate emergency plans for sudden environmental pollution incidents, equip themselves with necessary emergency disposal materials, seriously perform emergency response exercises, and promptly launch emergency plans to limit production during heavy pollution weather. In the first half of 2023, no major environmental pollution incidents occurred at the Company.



## Management's Discussion and Analysis (continued)

### ***Cyber risk and security***

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

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

### ***Risks associated with data fraud or theft***

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

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

The Group's major financial risks include market risk, credit risk and liquidity risk.



## Management's Discussion and Analysis (continued)

### **Market risk**

Market risk includes currency risk, interest rate risk and other price risk. Currency risk represents the unfavorable change in exchange rates that may have an impact on the Group's financial results and cash flows. Interest rate risk represents the unfavorable change in interest rates that may lead to changes in the fair value of the Group's fixed-rate borrowings and other deposit. Other price risk represents the risk related to the value of the Group's equity investments, which mainly derived from investments in equity securities.

Majority of the Group's assets, liabilities and transactions are denominated in RMB, US dollar and HK dollar. Due to the presence of a certain scale of import and export business of the Group, the exchange rate fluctuations have an impact on the import and export prices. The management of the Group has always taken prudent measures like foreign exchange forward to hedge exchange rate risk, and continued to monitor and control the above-mentioned risks so as to mitigate the potential adverse impact on the Group's financial performance.

### **Credit risk**

The biggest credit risk of the Group is that the counterparties may fail to carry out their obligations with regard to the book value of all types of financial assets recognized and recorded in the consolidated statement of financial position on 30 June 2023. If there is a lack of credit risk management, bad debt losses of the Company, as a result of unrecoverable accounts receivable and unavailable inventory after advance payment for procurement, may influence its normal operation.

The Group has adequate management procedures, response mechanisms and supervision measures in respect of granting credit line and credit period, collection of overdue accounts and other related aspects. Through credit evaluation, transaction management, process monitoring and disposal of overdue accounts for credit customers, the Group develops risk management strategies and measures to prevent and control the risk, allocates more credit resources to strategic and high-quality core customers and suppliers, and transfers bad debt risks by proper utilization of various risk protection measures, The Group examines the recovery of its major trade receivables on the settlement date every month to ensure that the credit business was monitored and guaranteed.

### **Liquidity risk**

Liquidity risk may lead to inadequate capital to meet the demand of daily operations in a timely manner and repayment of debts at maturity. In this regard, the management of the Group takes the following measures:

Regarding the management of liquidity risk, the Group strengthens position management of daily working capital, forecasts and strictly executes the fund plan to monitor and keep enough cash and cash equivalents. Monitor and maintain sufficient cash and cash equivalents, increase the scale of advance receipts during the sales season to maintain a better operating cash flow; reasonably allocate long-term and short-term capital requirements and optimize the capital structure to meet the Company's working capital and repayment of maturing debts.



## Management's Discussion and Analysis (continued)

### XVII. CONTINGENT LIABILITIES

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

### XVIII. CAPITAL COMMITMENT

Table 8:

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

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

### XIX. HUMAN RESOURCES

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

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



## Management's Discussion and Analysis (continued)

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

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

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



# Interim Review Report



## Review report to the board of directors of Sinofert Holdings Limited

*(Incorporated in Bermuda with limited liability)*

### Introduction

We have reviewed the interim financial report set out on pages 36 to 66 which comprises the consolidated statement of financial position of Sinofert Holdings Limited as of 30 June 2023 and the related consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2023 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

### KPMG

*Certified Public Accountants*

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

28 August 2023

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023 – unaudited  
(Expressed in Renminbi (“RMB”))

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



## Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the six months ended 30 June 2023 – unaudited  
(Expressed in Renminbi (“RMB”))

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
<b>Profit for the period</b>		<b>1,071,419</b>	1,008,963
<b>Other comprehensive income</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		(16,102)	12,641
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of overseas subsidiaries		18,342	34,259
<b>Other comprehensive income for the period</b>		<b>2,240</b>	46,900
<b>Total comprehensive income for the period</b>		<b>1,073,659</b>	1,055,863
<b>Total comprehensive income attributable to:</b>			
– Owners of the Company		1,006,159	1,045,250
– Non-controlling interests		67,500	10,613
		<b>1,073,659</b>	1,055,863
<b>Earnings per share</b>	6		
Basic and diluted (RMB)		0.1429	0.1421

The notes on pages 43 to 66 form part of this interim financial report. Details of dividends payable to owners of the Company are set out in Note 13.

# Consolidated Statement of Financial Position

At 30 June 2023 – unaudited  
(Expressed in RMB)

	<i>Note</i>	<b>At 30 June 2023 RMB'000</b>	At 31 December 2022 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	7	4,446,020	4,265,891
Right-of-use assets		626,347	648,849
Mining rights		305,945	319,614
Intangible assets		12,702	12,827
Goodwill	8	859,698	849,538
Interests in associates		732,245	746,313
Interests in joint ventures		702,609	647,648
Other equity securities		167,534	189,004
Prepayments for acquisition of property, plant and equipment		98,507	271,827
Deferred tax assets		104,430	100,534
Other long-term assets		33,467	37,954
		<b>8,089,504</b>	<b>8,089,999</b>
<b>Current assets</b>			
Inventories		4,325,969	5,672,836
Trade and bills receivables	9	508,217	656,889
Other receivables and prepayments		1,015,484	2,137,029
Other current assets		896,538	896,538
Loans to a related party		800,000	–
Restricted bank deposits		512,565	12,336
Cash and cash equivalents		3,611,096	3,356,184
		<b>11,669,869</b>	<b>12,731,812</b>
<b>Current liabilities</b>			
Trade and bills payables	10	3,917,732	2,499,152
Contract liabilities		1,905,105	5,063,762
Other payables and provision	11	1,387,507	1,455,217
Bank and other borrowings	12	475,908	421,217
Lease liabilities		35,348	48,310
Tax liabilities		55,684	36,525
		<b>7,777,284</b>	<b>9,524,183</b>



## Consolidated Statement of Financial Position (continued)

At 30 June 2023 – unaudited  
(Expressed in RMB)

	<i>Note</i>	<b>At 30 June 2023 RMB'000</b>	At 31 December 2022 RMB'000
<b>Net current assets</b>		<b>3,892,585</b>	3,207,629
<b>Total assets less current liabilities</b>		<b>11,982,089</b>	11,297,628
<b>Non-current liabilities</b>			
Bank and other borrowings	12	1,325,890	1,320,000
Lease liabilities		33,518	28,303
Deferred income		72,355	69,177
Deferred tax liabilities		128,612	128,690
Other long-term liabilities		19,812	19,812
		<b>1,580,187</b>	1,565,982
<b>NET ASSETS</b>		<b>10,401,902</b>	9,731,646
<b>CAPITAL AND RESERVES</b>			
Issued equity		5,887,384	5,887,384
Reserves		4,218,814	3,616,058
Total equity attributable to owners of the Company		<b>10,106,198</b>	9,503,442
Non-controlling interests		295,704	228,204
<b>TOTAL EQUITY</b>		<b>10,401,902</b>	9,731,646

The notes on pages 43 to 66 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023 – unaudited  
(Expressed in RMB)

	Attributable to owners of the Company										
	Issued equity	Capital and other reserve	Statutory reserve	Contributed surplus	Fair value			Retained earnings	Total	Non-controlling interests	Total equity
					reserve (non-	Special	Exchange				
					recycling)	reserve	reserve				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2023</b>	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 period	-	-	-	-	-	-	-	1,003,919	1,003,919	67,500	1,071,419
Other comprehensive income for the period	-	-	-	-	(16,102)	-	18,342	-	2,240	-	2,240
Total comprehensive income for the period	-	-	-	-	(16,102)	-	18,342	1,003,919	1,006,159	67,500	1,073,659
Maintenance and production fund	-	-	-	-	-	4,597	-	(4,597)	-	-	-
Dividend declared (Note 13(b))	-	-	-	(403,403)	-	-	-	-	(403,403)	-	(403,403)
<b>Balance at 30 June 2023</b>	5,887,384	508,662	366,484	670,469	(189,989)	77,552	(615,802)	3,401,438	10,106,198	295,704	10,401,902

	Attributable to owners of the Company										
	Issued equity	Capital and other reserve	Statutory reserve	Contributed surplus	Fair value			Retained earnings	Total	Non-controlling interests	Total equity
					reserve (non-	Special	Exchange				
					recycling)	reserve	reserve				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2022</b>	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 period	-	-	-	-	-	-	-	998,350	998,350	10,613	1,008,963
Other comprehensive income for the period	-	-	-	-	12,641	-	34,259	-	46,900	-	46,900
Total comprehensive income for the period	-	-	-	-	12,641	-	34,259	998,350	1,045,250	10,613	1,055,863
Maintenance and production fund	-	-	-	-	-	2,039	-	(2,039)	-	-	-
Acquisition of non-controlling interests of a subsidiary	-	(50,457)	-	-	-	-	-	-	(50,457)	(15,495)	(65,952)
Dividend declared (Note 13(b))	-	-	-	(317,186)	-	-	-	-	(317,186)	-	(317,186)
Disposal of equity securities	-	-	-	-	(60,263)	-	-	60,263	-	-	-
<b>Balance at 30 June 2022</b>	5,887,384	508,662	366,484	1,073,872	(140,665)	73,527	(587,156)	2,238,567	9,420,675	235,774	9,656,449

The notes on pages 43 to 66 form part of this interim financial report.



# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2023 – unaudited  
(Expressed in RMB)

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
<b>Operating activities</b>		
Cash generated from operations	1,278,080	1,851,154
Income tax paid	(63,442)	(30,549)
<b>Net cash generated from operating activities</b>	<b>1,214,638</b>	<b>1,820,605</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(250,256)	(855,337)
Proceeds from disposals of property, plant and equipment	10,016	4,542
Acquisition of intangible assets	–	(635)
Addition of other long-term assets	(4,604)	(19,512)
Loans to a related party	(800,000)	–
Loans repaid by a related party	–	100,000
Interest received	520	12,591
Proceeds from sales of other financial assets	–	2,047
Purchase of other financial assets	–	(811)
Proceeds from disposals of other equity securities	–	88,561
Dividends received from an associate	–	12,960
Dividends received from a joint venture	60,000	10,002
<b>Net cash used in investing activities</b>	<b>(984,324)</b>	<b>(645,592)</b>

## Condensed Consolidated Cash Flow Statement (continued)

For the six months ended 30 June 2023 – unaudited  
(Expressed in RMB)

	<i>Note</i>	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
<b>Financing activities</b>			
Repayment of bank loans		(1,616,801)	(258,900)
Repayment of short-term commercial paper		–	(600,000)
Proceeds from new bank and other borrowings		1,677,382	748,497
Proceeds from short-term commercial paper		–	600,000
Capital element of lease rentals paid		(20,888)	(22,260)
Interest element of lease rentals paid		(1,129)	(1,128)
Other Interest paid		(34,515)	(33,133)
Payment for acquisition of non-controlling interests of a subsidiary		–	(65,952)
<b>Net cash generated from financing activities</b>		<b>4,049</b>	<b>367,124</b>
<b>Net increase in cash and cash equivalents</b>		<b>234,363</b>	<b>1,542,137</b>
<b>Cash and cash equivalents as at 1 January</b>		<b>3,356,184</b>	<b>1,313,892</b>
<b>Effect of foreign exchange rate changes</b>		<b>20,549</b>	<b>22,508</b>
<b>Cash and cash equivalents at 30 June</b>		<b>3,611,096</b>	<b>2,878,537</b>

The notes on pages 43 to 66 form part of this interim financial report.



# Notes to Condensed Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

## 1 Basis of preparation

This interim financial report of Sinofert Holdings Limited (the “Company”) and its subsidiaries (together referred to as the “Group”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorized for issue on 28 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 35.

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial report as comparative information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2022 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 20 March 2023.



## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 2 Changes in accounting policies

The Group has applied the following new and amended HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

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

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

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



## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 3 Revenue and segment reporting

#### (a) Disaggregation of revenue

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

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

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



## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 3 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 period's presentation.



## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 3 Revenue and segment reporting (continued)

#### (b) Segment reporting (continued)

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

## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 3 Revenue and segment reporting (continued)

#### (b) Segment reporting (continued)

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

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

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

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



## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 4 Profit before taxation

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

#### (a) Finance costs

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

#### (b) Other items

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

## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 5 Income tax

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

- (i) The provision for Hong Kong Profits Tax is calculated by applying at 16.5% (2022: 16.5%) of the estimated assessable profits for the six months ended 30 June 2023.
- (ii) The provision for the PRC Enterprise Income Tax is based on the statutory rate of 25% (2022: 25%) on the estimated taxable profits determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain subsidiaries of the Group which enjoy a preferential tax rate according to related tax policies.
- (iii) The provision for Macao SAR Profits Tax is calculated by applying at 12% (2022: 12%) of the estimated assessable profits for the six months ended 30 June 2023.
- (iv) The provision for Singapore Profits Tax is calculated by applying at 17% (2022: 17%) of the estimated assessable profits for the six months ended 30 June 2023.



## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 6 Earnings per share

The calculation of basic earnings per share is as follows:

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

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

### 7 Property, plant and equipment

#### (a) Acquisitions and disposals of owned assets

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment with a cost of RMB391,296,000 (the corresponding period in 2022: RMB842,240,000). Items of property, plant and equipment with a net book value of RMB45,264,000 were disposed (the corresponding period in 2022: RMB1,949,000), resulting in a gain on disposal of RMB148,504,000 (the corresponding period in 2022: RMB2,593,000).

#### (b) Impairment losses

No impairment loss was recognized during the six months period ended 30 June 2023 (the corresponding period in 2022: Nil).

## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 8 Goodwill

	<b>At 30 June 2023 RMB'000</b>	At 31 December 2022 RMB'000
<b>Carrying Amount</b>		
At 1 January	849,538	822,551
Exchange adjustments	10,160	26,987
At 30 June/31 December	<b>859,698</b>	849,538

For the purposes of impairment testing, goodwill has been allocated to the cash generating units (“CGUs”) of the related segments as follows:

	<b>At 30 June 2023 RMB'000</b>	At 31 December 2022 RMB'000
Basic business	198,884	192,734
Growth business	93,591	90,698
Production		
– Sinochem Yunlong Co., Ltd.	531,074	531,074
– Others	36,149	35,032
	<b>859,698</b>	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, including estimated selling prices and sales 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 discount rates using pre-tax 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 2023 approved by the directors of the Company. The growth rates for the first 3 years from 2023 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.

The value in use calculated is higher than the carrying amount for each CGU, accordingly, no impairment of goodwill was recognized for the periods ended 30 June 2023 and 2022.



## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 9 Trade and bills receivables

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

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

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

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

## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 10 Trade and bills payables

	<b>At 30 June 2023 RMB'000</b>	At 31 December 2022 RMB'000
Trade payables	3,029,281	1,411,139
Bills payable	888,451	1,088,013
Trade and bills payables	<b>3,917,732</b>	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:

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

### 11 Other payables and provision

	<b>At 30 June 2023 RMB'000</b>	At 31 December 2022 RMB'000
Payroll payables	271,119	202,117
Dividends payable	429,143	25,741
Payables for purchase of property, plant and equipment and land use rights	68,644	66,957
Other taxes payables	379,163	591,477
Others	239,438	500,014
Financial liabilities measured at amortized cost	<b>1,387,507</b>	1,386,306
Provision for onerous contract	–	68,911
	<b>1,387,507</b>	1,455,217

## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 12 Bank and other borrowings

The analysis of the carrying amount of bank and other borrowings is as follows:

	<b>At 30 June 2023 RMB'000</b>	At 31 December 2022 RMB'000
Bank loans, unsecured	304,408	134,287
Bank loans, secured ( <i>Note</i> )	1,453,000	1,606,930
Borrowings from Sinochem Holdings Corporation Ltd. ("Sinochem Holdings")	44,390	–
	<b>1,801,798</b>	1,741,217

*Note:* As at 30 June 2023, bank loans are secured by the Group's right-of-use assets of RMB188,221,000 (31 December 2022: right-of-use assets of RMB184,114,000 and property, plant and equipment of RMB16,274,000).

All the borrowings are interest-bearing, measured at amortized cost, repayable as follows:

	<b>At 30 June 2023 RMB'000</b>	At 31 December 2022 RMB'000
Within 1 year	475,908	421,217
After 1 year but within 2 years	255,300	150,000
After 2 years but within 5 years	862,270	900,000
After 5 years	208,320	270,000
	<b>1,325,890</b>	1,320,000
Less: amounts due within 1 year classified as current liabilities	<b>1,801,798</b> (475,908)	1,741,217 (421,217)
Amounts shown under non-current liabilities	<b>1,325,890</b>	1,320,000

## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 12 Bank and other borrowings (continued)

The ranges of effective interest rates on the Group's borrowings are as follows:

	Effective annual interest rate	At 30 June 2023 RMB'000	Effective annual interest rate	At 31 December 2022 RMB'000
Variable-rate borrowings	3.35%	1,409,000	4.25%	1,409,000
Fixed-rate borrowing	1.35%-3.70%	392,798	2.00%-3.70%	332,217
		1,801,798		1,741,217

### 13 Dividends

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

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

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

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



## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 14 Fair value measurement of financial instruments

#### (a) 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, categorized 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 input, 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 30 June 2023 RMB'000	Fair value measurements as at 30 June 2023 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Unlisted equity securities	167,534	–	–	167,534
Bills receivable	69,412	–	–	69,412
<b>Total</b>	<b>236,946</b>	<b>–</b>	<b>–</b>	<b>236,946</b>

	Fair value at 31 December 2022 RMB'000	Fair value measurements as at 31 December 2022 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Unlisted equity securities	189,004	–	–	189,004
Bills receivable	62,310	–	–	62,310
<b>Total</b>	<b>251,314</b>	<b>–</b>	<b>–</b>	<b>251,314</b>

## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 14 Fair value measurement of financial instruments (continued)

#### (a) Financial assets and liabilities measured at fair value (continued)

During the six months ended 30 June 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2022: nil). The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

#### Information about Level 3 fair value measurement

- 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.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Unlisted equity securities:		
At 1 January	189,004	239,389
Changes in fair value during the period	(21,470)	(6,089)
At 30 June	167,534	233,300
Bills receivable		
At 1 January	62,310	90,355
Net increase	7,102	9,623
At 30 June	69,412	99,978



## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 14 Fair value measurement of financial instruments (continued)

#### (b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortized cost were not materially different from their fair values as at 31 December 2022 and 30 June 2023.

### 15 Capital commitments

	<b>At 30 June 2023 RMB'000</b>	At 31 December 2022 RMB'000
Contracted but not provided for – Property, plant and equipment	542,148	648,197

## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 16 Related party transactions

The related parties that had material transactions with the Group during the periods ended 30 June 2023 and 2022 were as follows:

#### Indirect holding companies

China National Chemical Corporation Limited  
(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)

#### Ultimate holding company

Sinochem Holdings  
(中國中化控股有限責任公司)

#### 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)

Sinochem Finance Co., Ltd.  
(中化集團財務有限責任公司)

Sinochem Agriculture Co., Ltd.  
(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)



## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 16 Related party transactions (continued)

#### Fellow subsidiaries (continued)

Sinochem Hong Kong (Group) Co., Ltd.  
(中化香港(集團)有限公司)

Adama Huifeng (Jiangsu) Co., 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)

Hunan Dongting Hi-Tech Seed Industry Co., Ltd.  
(湖南洞庭高科種業股份有限公司)

Beijing Grand AgroChem Co., Ltd.  
(北京廣源益農化學有限責任公司)

Sinochem Group Co., Ltd.  
(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)

Shenyang Research Institute of Chemical Industry Co., Ltd.  
(瀋陽化工研究院有限公司)

Zhangye Sanbei Seeds Co., Ltd.  
(張掖市三北種業有限公司)

Sinochem Information Technology Co., Ltd.  
(中化信息技術有限公司)

## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 16 Related party transactions (continued)

#### A subsidiary of a shareholder with significant influence over the Company

PCS Sales (USA) Inc.

#### Associates

Yangmei Pingyuan Chemical Co., Ltd. (“Yangmei Pingyuan”)  
(陽煤平原化工有限公司)

Beijing Aerospace Hengfeng Technology Co., Ltd.  
(北京航天恒豐科技股份有限公司)

Yitong Digital Technology Co., Ltd.  
(益通數科科技股份有限公司)

#### Joint ventures

Yunnan Three Circles-Sinochem Fertilizers Co., Ltd.  
(雲南三環中化化肥有限公司)

Gansu Wengfu Chemical Co., Ltd.  
(甘肅甕福化工有限責任公司)

#### Associate of a fellow subsidiary

Qinghai Salt Lake Industry Co., Ltd.  
(青海鹽湖工業股份有限公司)

#### Associates of indirect holding companies

Beidahuang Agricultural 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)



## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 16 Related party transactions (continued)

#### (a) Transactions with related parties

In addition to the transactions and balances disclosed elsewhere in the interim financial report, the Group entered into the following material transactions with related parties during the period:

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
<b>Sales of fertilizers to</b>		
Fellow subsidiaries	637,610	918,537
Joint ventures	59,519	70,890
Associates of indirect holding companies	38,944	88,240
	<b>736,073</b>	<b>1,077,667</b>
<b>Purchases of fertilizers from</b>		
Fellow subsidiaries	350,837	369,671
Associates of indirect holding companies	12,848	38,463
Joint ventures	1,145,846	1,379,672
Associates	9,249	861
A subsidiary of a shareholder with significant influence over the Company	–	247,540
An associate of a fellow subsidiary	491,171	957,385
	<b>2,009,951</b>	<b>2,993,592</b>
<b>Import service fee paid to a fellow subsidiary</b>	<b>5,207</b>	<b>6,163</b>
<b>Information service fee paid to a fellow subsidiary</b>	<b>1,255</b>	–
<b>Office rental fee paid to fellow subsidiaries</b>	<b>4,689</b>	<b>4,630</b>
<b>Commission received from a fellow subsidiary</b>	<b>3,956</b>	–
<b>Loans from the ultimate holding company</b>	<b>44,390</b>	–

## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 16 Related party transactions (continued)

#### (a) Transactions with related parties (continued)

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Interest expenses of loans from the ultimate holding company	133	–
Loans to a fellow subsidiary	800,000	–
Repayments of loans to a fellow subsidiary	–	100,000
Interest income from a fellow subsidiary	520	12,591
Guarantee charges from an associate	3,164	1,450
Interests income of financial assets from a fellow subsidiary	5,379	3,302

#### (b) Balances with related parties

As at the end of the reporting period, the Group had the following material balances with its related parties:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Trade receivables	55,315	2,709
Other receivables and prepayments	313,724	501,561
Trade and bills payables	675,853	813,470
Other payables	2,924	2,310
Contract liabilities	58,775	157,625
Cash and cash equivalents	1,920,493	1,942,996
Loans to a related party	800,000	–
Loans from the ultimate holding company	44,390	–



## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 16 Related party transactions (continued)

#### (c) Transactions 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.

During the reporting period, the Group had the following significant transactions with other state-controlled entities:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Sales of fertilizers	1,129,096	693,693
Purchases of fertilizers	661,595	1,315,073

#### (d) Compensation of key management personnel

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Salaries and other benefits	2,371	6,487
Retirement benefit scheme contributions	48	160
Fees	757	708
	3,176	7,355



## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 17 Guarantee

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 outstanding loans of RMB470,087,000 provided by BOB Jinan to Yangmei Pingyuan (an associate of Sinochem Fertilizer).



# Additional Information

## INTERIM DIVIDEND

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

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

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 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 as set out in Appendix 10 to the Listing Rules, were disclosed below.

As at 30 June 2023, the following Directors of the Company had long position in the ordinary shares of HK\$0.1 each of the Company:

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of issued Shares held</b>	<b>Percentage of the issued share capital of the Company</b>
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 30 June 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 period and as at 30 June 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 the 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.

## Additional Information (continued)

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 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") <i>(Note 1)</i>	3,698,660,874	52.65%
China National Chemical Corporation Limited ("ChemChina") <i>(Note 1)</i>	3,698,660,874	52.65%
Syngenta Group Co., Ltd. ("Syngenta Group") <i>(Note 1)</i>	3,698,660,874	52.65%
Syngenta Group (HK) Holdings Company Limited ("Syngenta HK") <i>(Note 2)</i>	3,698,660,874	52.65%
Nutrien Ltd. <i>(Note 3)</i>	1,563,312,141	22.26%
Potash Corporation of Saskatchewan Inc. ("Potash Corporation") <i>(Note 3)</i>	1,563,312,141	22.26%
PCS (Barbados) Investment Company Limited ("PCS") <i>(Note 4)</i>	1,563,312,141	22.26%

*Notes:*

- 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.
- Syngenta HK was beneficially interested in 3,698,660,874 ordinary Shares of the Company.
- 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 AcquisitionCo ULC, which is in turn wholly owned by Nutrien Ltd. Accordingly, Nutrien Ltd., PCS AcquisitionCo 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.
- 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 30 June 2023, which were required to be recorded in the register maintained by the Company under section 336 of the SFO.



## Additional Information (continued)

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

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

### **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transaction by Directors. The Company has made specific enquiries with all Directors of the Company, and all Directors confirmed that they had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2023.

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

### **CORPORATE GOVERNANCE STANDARDS**

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

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



## Additional Information (continued)

The code provision F.2.2 provides that, among others, the chairman of the board should attend the annual general meeting of the listed issuer. In the annual general meeting of the Company held on 19 June 2023 (the “2023 AGM”), Mr. Liu Hongsheng, Chairman of the Board, did not chair the meeting due to other essential business engagements. In accordance with the Bye-laws of the Company, Mr. Tse Hau Yin, Aloysius, an independent non-executive Director of the Company, was elected by the Directors attending the meeting to chair the 2023 AGM. Respective chairmen and/or members of the audit, remuneration, nomination and corporate governance committees of the Company were present at the 2023 AGM and were available to answer relevant questions, which was in compliance with other part of code provision F.2.2.

Save as disclosed above, please refer to the “Corporate Governance Report” contained in the Company’s 2022 annual report for more information about the corporate governance of the Company.

### AUDIT COMMITTEE

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

### DISCLOSURE OF INFORMATION OF DIRECTORS

Pursuant to the disclosure requirements under rule 13.51B(1) of the Listing Rules, the changes/updates of information of Director(s) during the six months ended 30 June 2023 and up to the date of this report are as follows:

Mr. Tse Hau Yin, Aloysius, an independent non-executive Director of the Company, resigned as independent non-executive director of China Telecom Corporation Limited effective on 6 January 2023. In addition, Mr. Tse retired as an independent non-executive director of CNOOC Limited effective on 31 May 2023.

### BOARD OF DIRECTORS

As at the date of this report, the executive Directors of the Company are Mr. Ma Yue\* (Chief Executive Officer), Mr. Wang Jun and Ms. Wang Ling; the non-executive Director of the Company is Mr. Liu Hongsheng (Chairman); and the independent non-executive Directors of the Company are Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius.

\* Mr. Ma Yue passed away on 29 August 2023.

Hong Kong, 28 August 2023