

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  
2021



# Nurturing China's Agriculture Sector



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The image features a background of lush green plants, possibly seedlings in a nursery, with a soft, natural light. Overlaid on this are several semi-transparent, colorful arcs in shades of orange, teal, and white, creating a modern, abstract design. The text 'Corporate Information' is positioned in the upper left quadrant, within a semi-transparent white circle.

# Corporate Information



## Board of Directors

### Executive Directors

Mr. QIN Hengde (*Chief Executive Officer*)

Mr. FENG Mingwei

Mr. Harry YANG

### Non-Executive Director

Mr. J. Erik FYRWALD (*Chairman*)

### 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. Harry YANG

### Corporate Governance Committee

Mr. QIN Hengde (*Chairman*)

Mr. FENG Mingwei

Mr. Harry YANG

Ms. CHEUNG Kar Mun, Cindy

## Chief Financial Officer

Mr. GAO Jian

## 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 Financial Reporting Council Ordinance

## Legal Adviser

Latham & Watkins LLP

## Principal Bankers

Bank of China

China Construction Bank

Industrial and Commercial Bank of China

Agricultural Bank of China

China Everbright Bank

Bank of Tokyo-Mitsubishi

Rabobank International

## Registered Office

Clarendon House

2 Church Street

Hamilton HM11 Bermuda

## Principal Place of Business

Unit 4705, 47th Floor, Office Tower

Convention Plaza, 1 Harbour Road

Wanchai, Hong Kong

## Share Registrars and Transfer Offices

### Bermuda (Principal office)

Codan Services Limited

Clarendon House

2 Church Street

Hamilton HM11 Bermuda

### Hong Kong (Branch)

Tricor Secretaries Limited

Level 54, Hopewell Centre

183 Queen's Road East, Hong Kong

## Company Website

www.sinofert.com

## Share Listing

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

Stock Code: 297

## Investor Relations

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# Chairman's Statement



Dear Shareholders,

On behalf of the Board of Directors, I hereby report the interim results of Sinofert Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2021 to all shareholders.

In the first half of 2021, because of the impact of monetary policies of quantitative easing around the world, commodity prices rose sharply and the prices of major products in the fertilizer industry, raw materials and logistics freight prices also increased substantially. Facing the pressure of rising costs and expenses, the Group firmly implemented the strategies formulated at the beginning of the year, advanced its strategic transformation, strived to seize market opportunities, effectively reduced market risks, and achieved satisfactory results in all aspects. In the first half of 2021, the Group's revenue was RMB13,598 million, up by 8.36% over the corresponding period in 2020. Profit attributable to owners of the Company amounted to RMB663 million, increased by 48.14% as compared with the corresponding period in 2020, representing a significant improvement in profitability. Major performance indicators of the Group remained in good standing. The Group had a sound assets and liabilities structure with strong solvency, and its domestic credit rating was AAA for twelve consecutive years.

The Basic Fertilizers Division strengthened the close cooperation with strategic suppliers to increase the ability of obtaining resources and ensure a steady supply, and stepped up marketing effort for differentiated agriculture products with high margin, which led to significant increase in both sales volume and profit. The business model of Fertex, an industrial chain service platform, has gradually become more defined and the iterative upgrade of its functional modules were accelerated. In addition, the Group innovated green farming service (GFS), and expanded sales channels with focus on direct sales to large-

scale growers. In the first half of 2021, the profit of the Basic Fertilizers Division was RMB395 million, up by 23.80% year on year. The Distribution Division benchmarked marketing, R&D, production and sale capabilities with excellent companies in the industry, and accelerated the differentiated transformation and the integration of research, production and sales, which further enhanced the competitiveness of products and significantly boosted sales volume and the proportion of differentiated products. Channel structure was continuously optimized, resulted in that the proportion of sales to retailers, large-scale growers and special channels improved by 6 percentage points, and the cooperation with Syngenta Group China in crop protection business increased sharply, further highlighting channel value. In the first half of 2021, profit of the Distribution Division was RMB173 million, up by 21.46% year on year. The production subsidiaries continued to carry out energy-saving transformation to mitigate the adverse impact of rising input costs, and strengthened the connection of production and sale plans to improve capacity utilization. The construction of the relocation project of Sinochem Chongqing Fuling Chemical Fertilizer Company Limited ("Sinochem Fuling") for the sake of environmental protection proceeded as scheduled and completed 38% of the progress in physical shape of its new plant. In the first half of 2021, profit of the production subsidiaries was RMB174 million, up by 58.95% year on year.

In the second half of 2021, fertilizer enterprises will face great challenges in production, import and distribution due to the resurgence of COVID-19 pandemic, frequent extreme weather and geopolitical uncertainties. 2021 is the beginning year of the 14th Five-Year Plan and the comprehensive promotion of rural revitalization. The economic recovery of China has a relative strong resilience. The government implements a comprehensive national food security strategy, promoting cultivated land management and application of technology for food resources to consolidate the foundation of food security for the





## Chairman's Statement (continued)

nation. The government attaches increasing importance to the modernization of agriculture, and promotes quality farming and green farming. This will create new opportunities for the Group's innovative operations and deepening of business transformation.

In the second half of 2021, the Group will adhere to the concept of soil health and green agricultural development, continue to focus on business transformation and upgrading, follow the trend of agriculture digitalization and the rapidly changing fertilizer industry, take root in modern agriculture, streamline the operational structure, constantly promote R&D and innovation, strive to become an innovative leader in crop nutrition in China and achieve a stable and sustainable growth in business performance. The Basic Fertilizers Division will continue to implement strategic procurement, secure a steady supply of high-quality products, and promote a transformation of business model from marketing to platform service based on the Fertex industrial chain service. The Distribution Division will strengthen development of downstream channel, focus in depth on differentiated products relying on R&D pipeline, promote upgrades of products, and improve the level of digitalization. The production subsidiaries will

accelerate the upgrade of capacity, and promote the "move for better and stronger" relocating work of Sinochem Fuling. Meanwhile, the Group will achieve faster transformation and development within Syngenta Group China, strengthen synergy with members of the Syngenta Group China, give full play to the value of diversified channels and further improve its profitability.

Last but not the least, on behalf of the Board of Directors, I would like to extend our deep appreciations and sincere thanks to the shareholders of the Company and customers of the Group. We hope to have your continuous attention and support in the future. We expect the management and all staff members of the Company will bear in mind the vision of "In Science We Trust, Combine Action with Knowledge", and work ever harder to continuously make contribution to the development of the Group.

**J. Erik Fyrwald**

*Chairman of the Board*

Hong Kong, 24 August 2021







## JANUARY 2021

- ◆ The high phosphorous feed grade MCP of Sinochem Yunlong Co., Ltd., a subsidiary of the Group, was accepted by the European market. The contract was signed with European customer and the first bulk carrier was shipped to Europe.

## FEBUARY 2021

- ◆ “Weidefeng”, a multi-nutrient large granular potash fertilizer product with sulphur and zinc, developed by the Group jointly with Chinese Academy of Agricultural Sciences and Belarusian Potash Company (BPC) was launched.
- ◆ With the full support of relevant government departments, the Chinese potash fertilizer negotiation team that the Group participated in reached an agreement with Belarusian Potash Company (BPC), one of the largest potash fertilizer manufacturers in the world, in respect of the 2021 import contract for seaborne potash, which maintained a relatively low price of potash fertilizer around the world.

## APRIL 2021

- ◆ Mr. QIN Hengde, Executive Director and Chief Executive Officer of the Company, met Mr. Hussam Al Hussein in Beijing, the Ambassador of the Kingdom of Jordan Hashem to China. Both of them indicated the willingness to expand the scope of cooperation and that the next step would be the establishment of a working group to promote the strategic cooperation between two sides.
- ◆ To secure fertilizer supply for spring cultivation, a vessel with a load of 90,000 tons of high quality potash fertilizer imported by the Group from Arab Potash Company (APC) of Jordan arrived the port in China. The load of fertilizer carried by the vessel was the largest in world record, and the shipment received a great attention from national ministries and was reported on CCTV’s programmes such as “CCTV News”, “Live News” and “Morning News”.
- ◆ The Group signed a strategic cooperation agreement with Hubei Xingfa Chemicals Group Co., Ltd in Yichang. Based on each group’s advantages, the two parties will deepen their exchanges and cooperation in key products, brand creation, product application and technology innovation, strive to provide high quality services to the domestic and overseas agricultural markets, and jointly develop agricultural products with high added value and marketability. This will lay a solid foundation for the two parties to achieve high quality development and promote the upgrade of agricultural industry.





## Chronicle of Events (continued)

### MAY 2021

- ◆ The Group signed a strategic cooperation agreement with Cultivated Land Quality Monitoring and Protection Center of Ministry of Agriculture and Rural Affairs of China. Two parties agreed that, as the government authority and the national agriculture team respectively, the two parties should jointly lead the protection of arable land and the improvement of soil quality, so as to capitalize on the synergies of government and enterprise to continuously promote the conservation and quality improvement of arable land, and to practice cultivated land management and application of technology for food resources. The signing of the agreement further enhanced the Group's influence in the agricultural sector.

### JUNE 2021

- ◆ Sinochem Jilin Changshan Chemical Co., Ltd., a subsidiary of the Group, realized product innovation to meet modern agricultural development needs. It completed and put into operation of the Group's first high-end water-soluble fertilizer facility in the Northeast region with an annual production capacity of 30,000 tons, and a microbial fertilizer facility with leading process and technology in China and an annual production capacity of 10,000 tons. Such high-end and high efficiency products further improved the comprehensive competitiveness of the enterprise.
- ◆ The Group held the first Meilinmei VIP customer marketing summit, empowering core customers and increasing cooperation. Meilinmei saves upstream phosphate mine resource while helping farmers to increase production, and the sales volume has doubled continuously in the past four years since its launch. Meilinmei has become one of the leading Chinese brands of efficiency enhancing phosphate fertilizers.
- ◆ The first batch of containerized potash fertilizer of Arab Potash Company of Jordan (APC) in 2021 arrived Xiamen Port. The Group innovated a new logistics model by delivering containers directly to customers' factories to improve logistics efficiency and reduce users' costs.
- ◆ After nearly three years of research, the trial production and trial sales of the Group's first independently developed bio-stimulant product UHA was implemented. UHA is used for foliar spraying of cereal crops, which significantly promotes crop growth, enhances nutrition utilization and increases crop yield.



## Business Environment

In the first half of 2021, as the rolling out of vaccination was accelerated across the world and various countries lifted lockdown measures gradually, the global economy saw regional recovery, and the recovery of international trade, investment and manufacturing industries was accelerating. As developed countries continued their accommodative monetary and fiscal stimulus policies, market expectations of global inflation strengthened, driving commodity prices up rapidly.

2021 is the beginning year of the 14th Five-Year Plan and the comprehensive promotion of rural revitalization. The Chinese government insists on giving top priority to solving the “agriculture, rural areas and farmers” issues, takes the comprehensive promotion of rural revitalization as a major historical task to realize the great rejuvenation of the Chinese nation, and accelerates the transformation of agricultural and rural modernization. The Ministry of Finance and the Ministry of Agriculture and Rural Affairs have issued policies to strengthen agriculture and benefit farmers. Focusing on food production and development as well as arable land protection and quality improvement, the investment in upgrading the whole agricultural industry chain and cultivating new business entities has increased, highlighting supply and security, revitalization and smooth circulation. In addition, the coordination and integration has strengthened, and the smooth implementation of major policies, projects and items has promoted.

In the first half of 2021, as agricultural demand increased, the fertilizer market benefited from the recovery of the international and domestic agricultural markets, with product prices increased generally. However, trade frictions created barriers to international cooperation, which hindered economic recovery. The resurgence of the COVID-19 pandemic still posed significant challenges to fertilizer companies in terms of production, stocking and product distribution. The State vigorously promoted the protection and improvement of arable land quality, organized coordinated

demonstration of fertilizer application reduction and efficiency enhancement of key crops in counties with high-quality and efficient green actions, guided enterprises and social service organizations to carry out scientific fertilizer application technology services, and supported farmers and new agricultural business entities to apply new fertilizer application reduction and efficiency enhancement technology and new products.

Against the backdrop of tremendous challenges in the global economy, to consolidate the leading position in the industry, the Group, under the leadership of the Board of Directors, pushed forward strategic transformation and achieved significant improvement through its five major must-win initiatives to help modernize China’s agriculture. The potash fertilizer business continued to strengthen strategic procurement to ensure supply for core customers, accurately analysed supply and demand situation, and played a leading role in the market. Fertex, an industrial chain service platform, connected its transaction, bidding and logistics systems, and launched transaction and bidding functions covering all regions. The sales of differentiated products increased rapidly, and product improvement and upgrade were promoted through integration of research, production and sales. The Group developed diversified channels in a deep-going way to empower core retailers, and commenced collaborative sales of crop protection products with Syngenta Group’s members. Sinochem Chongqing Fuling Chemicals Co., Ltd. (“Sinochem Fuling”) completed 38% of the overall progress in physical shape of its new plant. It established a special team for the selling of all finished products to prepare for production and operation in advance.

## Financial Highlights

For the six months ended 30 June 2021, the Group’s revenue was RMB13,598 million, up by 8.36% over the corresponding period in 2020. Profit attributable to owners of the Company amounted to RMB663 million, increased by 48.14% as compared with the corresponding period in 2020.





## Management Review and Prospect (continued)

### Research and Development

In the first half of 2021, the Group focused its research on fertilizer application reduction and efficiency enhancement as well as soil improvement, conducted research on key underlying technologies such as bio-stimulants and microbial agents, and developed soil conditioner products. It strengthened the marketing of new products and the commercialization of research achievements that gave birth to sales volume of 667,400 tons, up by 42.12% compared with the same period in 2020.

The Group continued to enhance the scientific research strength of the Linyi R&D Center. By focusing on key directions such as fertilizer application reduction and efficiency enhancement as well as soil health, the Group conducted breakthrough research on underlying technologies such as biotechnology and efficient nutrient utilization and integrated development and commercialization of new crop nutrition products. In the first half of 2021, the Group focused on the R&D of functional strains of bacteria that promoted growth and prevented disease of crops, and developed a series of eco-fertilizers to improve soil ecological environment. The Group developed bio-stimulant products and promoted the application of modern agricultural farming models such as fertigation and drone application of pesticides to significantly improve the yield and quality of crop. Researches were made on the light and simple application of soil conditioners to improve the quality of soil and arable land and promote healthy crop growth. Relying on breakthroughs in underlying technologies, the Group upgraded fertilizers for rice, corn and other crops to fully improve fertilizer utilization, reduce environmental pollution and increase crop yields and farmers' profitability.

The Group actively developed and upgraded new products in cooperation with scientific research efforts in the society. It carried out research on sustainable soil improvement and rhizosphere conditioning mechanisms jointly with China Agricultural University. Also, it cooperated with Syngenta Group China's

members engaging in crop protection business in China to strengthen and upgrade "Lanlin-Guanwushuang", a compound fertilizer, and opened up high tower nitro process, significantly improving quality and output of cash crop. The Group upgraded the second-generation basic fertilizers for efficiency improvement, such as Meilinmei and Linbao, jointly with the Chinese Academy of Agricultural Sciences, further improving the effect of increasing output. At the same time, advanced technologies from overseas were actively introduced to upgrade domestic products, reduce fertilizer application and improve the quality of agricultural products.

The Group is formulating the "Co-Creating the Sustainable and Healthy Soil Development Strategy" and proposing a vision of "make every inch of arable land fertile". In the future, the Group will strive to solve issues faced by China's agricultural development such as low utilization rate of fertilizers and soil degradation. It will focus on R&D of bio-fertilizers and special fertilizers and promote commercialization and application of them to satisfy the needs for reduction of fertilizer application and increase of yield. Meanwhile, the Group will further focus on resources and soil health, implement national policies on arable land protection and contribute to soil improvement.

### Manufacturing

In the first half of 2021, facing complex and ever-changing economic environment, major subsidiaries of the Group, while centering on taking safe and steady production, actively advanced production capacity upgrade and process optimisation that achieved remarkable cost reduction and efficiency improvement. Leveraging on the advantage of flexible production facilities, they seized market opportunities and adjusted marketing strategy timely to achieve significant improvement of operating results.

Sinochem Fuling, a subsidiary of the Group, actively implemented the spirit of General Secretary Xi Jinping's instructions of "together we protect environment and avoid large-scale development" for the construction of





the Yangtze River Economic Belt, and made progress in the entire relocation for the sake of environmental protection. The phase I project with an annual production capacity of 200,000 tons of fine phosphate and supporting new-type special fertilizers will be constructed in Baitao Industrial Park. As at 30 June 2021, the preliminary design, site formation for the main installation area, EPC tender and underground foundation construction of the new plant area was completed and detailed design was near completion. The construction of the site was in the stage of the above-ground portion of the civil works, and the construction of the rising structure and installation of equipment were underway. The cumulative investment in the project amounted to RMB545 million and 38% of the overall progress in physical shape was completed.

Facing the unfavourable situation of the resurgence of local pandemic, strict control on production, sales and transportation, and continuous increase in coal prices, Sinochem Jilin Changshan Chemical Co., Ltd. (“Sinochem Changshan”), a subsidiary of the Group, achieved continuous improvement in performance through active response measures such as strengthening internal management and expanding sales channels. Sinochem Changshan carried out a solid basic work, carefully maintained the production system and strengthened the special care of equipment to ensure a long-term operation and further improvement of plant operating rate. The effects of technical improvement measures were continuously realized, and consumption was reduced to achieve cost savings through optimising production scheduling. Sinochem Changshan actively responded to market changes, adjusted the product structure in a timely manner and grasped the regional ammonia market to expand the share of core customers. In the first half of 2021, it produced 103,300 tons of ammonia and 33,700 tons of urea, with sales revenue reaching a new high.

Sinochem Yunlong Co., Ltd. (“Sinochem Yunlong”), a subsidiary of the Group, faced numerous unfavorable factors such as rising raw material prices, sharp increases in ocean freight and unstable product prices. It fully

utilized its phosphate mine resource, increased mining of self-owned phosphate ore, continuously optimized production processes, strengthened lean management and reduced fuel and power costs to stabilize the production of MCP/DCP. It strictly implemented internal control management and timely adjusted operating strategies, grasping the domestic aquatic product season and new energy demand to increase market launch and realize product value maximization. In the first half of 2021, the production and sales of MCP/DCP reached 181,000 tons and 175,800 tons respectively, and its key performance indicators were better than the same period in 2020.

In accordance with the core value of “In Science We Trust”, Sinochem Yunlong was committed to becoming “a global production expert of high phosphorous MCP/DCP and creating a leading green brand in animal nutrition”. It focused on customer needs, developed differentiated and customized high phosphorus MCP/DCP products and further enhanced its technical service capabilities. Through technological innovation and technology introduction, it accelerated the implementation of comprehensive utilization of phosphogypsum, advanced the projects with annual production of 300,000 tons of phosphogypsum granulated cement retarder and annual production of 330,000 tons of sulfuric acid low-level heat recovery, and created green factories, which contributed to the “emission peak and carbon neutrality” targets and promoted the sustainable development of the Group.

### Basic Fertilizers Operations

In the first half of 2021, amid general tight supply of nitrogen, phosphorus and potassium products, the Group actively leveraged its advantages to sustain the supply of basic fertilizer raw materials to customers and satisfy the demand of industrial and agricultural production. The Group continued to promote strategic sourcing, consolidate upstream supplier relationship and secure a stable supply of quality goods, strengthened downstream channel development to continuously enhance customer stickiness, and continuously





## Management Review and Prospect (continued)

promoted innovation and transformation to enhance operation. The pilot running of the GFS mode was successful and the business model was continuously iterated. Fertex was fully launched online, and the number of registered users, logistics and transportation volume and platform transactions continued to increase, while the information and financial services capability steadily improved. As a result, its influence in the industry continued to grow.

**Potash Operations:** In the first half of 2021, sales volume of potash fertilizers was 1,172,500 tons, up by 4.20% over the corresponding period in 2020. The Group continued to consolidate strategic cooperation with domestic and overseas suppliers, expand access to supply channels, deepen communication and exchange of market information, improve the connection of procurement and marketing and coordination of distribution, obtain quality potash resources, and maintain a relatively low price of potash fertilizers around the world. The Group strengthened information analysis and research, improved the scientific decision-making mechanism, strengthened the construction of the industrial potassium core customer system, guaranteed the needs of core customers and improved professional marketing services, with its market position and influence continuously enhanced. In addition, the Group deepened the agricultural potash channel marketing, promoted the digitalisation of channels and online marketing projects, enriched its product range, enhanced its core channel system, and continued to promote the building of its own agricultural potash brand Fenghexiang, achieving a growth in sales volume and market share of agricultural potash.

**Nitrogen Operations:** In the first half of 2021, the sales volume of nitrogen fertilizers was 1,929,100 tons, down by 15.64% over the corresponding period in 2020, and the sales volume of differentiated nitrogen fertilizers was 187,100 tons, up by 27.89% over the corresponding period in 2020. In the face of the significant fluctuations in the urea market, the Group reduced operating risks by measures such as strategic procurement, grasping the rhythm of sales,

implementing refined operation and strictly controlling the size of the inventory exposure. The Group undertook the national fertilizer commercial reserve mission, and actively used urea futures to hedge the downside price risk of long-term contracts. The Group contributed high-quality supplies to the spring market to ensure food security of the country.

**Phosphate Operations:** In the first half of 2021, sales volume of phosphate fertilizers was 1,314,700 tons, up by 2.16% over the corresponding period in 2020. In case of strong international demand this year and export prices from suppliers significantly higher than domestic prices, the Group's advantages in strategic sourcing was obvious, which enabled it to effectively ensure a stable supply of quality phosphate fertilizers in spring and summer, and further enhanced the stickiness of cooperation with core customers. The Group carried out value management in phosphate fertilizer operations and provided comprehensive solutions centering on the key demand of upstream and downstream customers, achieving a stable profit as well as customer value enhancement and further consolidating its position as a leading domestic distributor of phosphate fertilizers. The Group also made more efforts in promoting technology-based "fertilizer application reduction and efficiency improvement" products. The Group's Meilinmei series of products effectively enhanced the utilization rate of phosphate fertilizer, saved upstream phosphate mine resource, and helped farmers increase production. Its sales volume has doubled continuously in the past four years since its launch. The first Meilinmei product VIP customer marketing summit received widespread attention from the industry and led the healthy development of efficiency-enhancing phosphate fertilizers in China.

**Fertex Operations:** The Group continued to promote the establishment of industrial chain service platform of Fertex. As at the end of June 2021, Fertex had 270,000 registered users. Trade leads posting function was added to the information module, and the online transaction function was fully enabled. The online payment tools covered more user needs and scenarios,



and the scale of customer-directed orders and online payments continued to increase, with the smart supply chain system gradually optimised and its influence in the industry significantly increased. In the future, Fertex will bring together digital technologies and focus on serving the industry to provide a sustainable and optimised solution for the distribution of agricultural materials in China.

### Distribution Operations

The Group continued to promote the DTS in-depth channel strategy, and while tapping into the traditional distributor and retail channels, it continued to focus on the development of large planters. Therefore, the diversified channel model contributed to a steady and rapid development of its operation. The Group deepened distribution channel to strengthen terminal network coverage, promoted its strategic retail store upgrade plan and assisted core distributors in their transformation and development. Targeting core crops, the technical marketing channels increased marketing of differentiated products and new types of fertilizers by providing technical planting solutions, and made packaged crop solution sales supplemented with crop protection products, resulting in a rapid capability improvement of synergy with the members of the Syngenta Group. The direct sales channel focused on large-scale planters and commercial planting companies and integrated resources in the industry chain to provide one-to-one customized products and technical services, as the service area continued to grow. The Group strengthened cooperation with special channels and established stable strategic alliances with partners such as PetroChina and China Post.

**Compound Fertilizer Operations:** In the first half of 2021, sales volume of compound fertilizers was 1,362,500 tons, of which the sales of differentiated products was 642,400 tons, up by 50.02% over the corresponding period in 2020. The Group accelerated the restructuring of its compound fertilizer product structure and enhanced its product competitiveness by accelerating the commercialisation of its independently developed research results and the

introduction of external technologies, while focusing on multi-technology integrated products that address key planting issues, increase yield and income for users, and reduce fertilizer application and increase efficiency. Through several ways, such as biotechnology empowerment and the combination of organic and inorganic products, the Group accelerated the development and promotion of new products for improvement of arable land to implement the national arable land quality improvement strategy and provide efficient crop nutrition solutions for farmers with high indices of continuous cropping and multiple cropping.

**Special Fertilizer Operations:** In the first half of 2021, sales volume of special fertilizers was 70,000 tons, up by 23.02% over the corresponding period in 2020. The Group continued to develop and promote new types of fertilizers and application solutions of product combinations focusing on crop nutrition and grower needs. In order to reduce fertilizer application, increase production, improve quality of field crops and enhance the efficiency of large-scale farming, the Group launched bio-stimulant products for root application and foliar spraying, which greatly enhanced crop stress resistance and fertilizer absorption efficiency and helped growers to achieve the goal of increasing production and income. In view of the frost damage to cash crops in the South, the Group promoted the application of root nourishing products in combination with crop nutrition products to better restore the growth of crops and helped farmers to reduce losses from frost damage. The Group continued to invest in fertigation business and actively promoted remote communication and remote control technologies, building up the capacity to design and construct various agricultural forms such as high-standard farmland, greenhouse and landscape agriculture.

**Technical Services and Digital Innovation:** The Group continued to promote free soil testing services, field guidance, technical seminars, and the protection of rights and anti-counterfeiting, and launched more than 30,000 comprehensive technical services. By combining soil improvement with fertilizer application,





## Management Review and Prospect (continued)

the Group explored new modes of scientific fertilizer application to improve soil environment in a reasonable manner. In addition, the Group promoted the spraying of a mixture of special fertilizers and pesticides with drone application to reduce fertilizer and pesticide application. The Group strengthened its digital marketing capabilities, relying on online marketing tools and platforms to empower distribution service network by digital means. A total of 2,300 retail stores were put online in the pilot regions. The Group also combined means such as growers' online agricultural information, live broadcast regarding to technology, short video and farmer benefiting activities to establish a comprehensive channel user service platform gradually.

The Group deeply understood the significance of the transformation and modern agricultural development of China, actively implemented the spirit of the Central Economic Work Conference, and focused on solving arable land protection issues. The Group promoted the technical research and commercialization of microbial agent and organic product with soil activity regulation function, and strategically invested in Beijing Aerospace Hengfeng Technology Corp., Ltd., which has R&D capacity for the core technology of microbial agent, to help speed up the Group's R&D in biological fertilizer products. The Group vigorously carried out research in green agricultural planting techniques, actively promoted technological achievements such as deep side fertilization, fertigation and soil improvement, and integrated resources to propose soil health strategy. More than 400 technical service personnel worked on the field all year round and conducted activities such as technical training, soil testing and formula-based fertilization as well as field guidance to help farmers grow good products and sell at good prices, so as to implement the original aspiration and mission of the Rural Revitalization Strategy.

### Internal Control and Management

The Group's internal control and risk management system was built according to the "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission in the United States, ISO Risk Management Guidelines and the "Internal Control and Risk Management – A Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants, as well as 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 and national requirements on strengthening internal control system establishment and supervision in recent years. Under the principle of "high priority, frequent monitoring and diversion as the main solution" and with risk management orientation, the Group paid attention to improving risk and internal control management mechanism in line with the strategic development and integrated with business management. Through risk identification, assessment and response, 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 2021, the Group incorporated the management philosophy of Syngenta Group China, and strived to build agile and effective functional headquarters to strengthen the foundation for business strategy. The Group further deepened the construction of the internal risk control system, focused on learning from advanced management experience, and took "streamlining, high efficiency, accountability and controlled authority" as its orientation to fully identify risks, promote accountability and improve system standardization, while internal control and audit and inspection were strengthened, and works such as differentiated risk monitoring as well as strengthening of reward and punishment were carried out. The Group also actively promoted risk culture and raised risk awareness through various means, encouraged the management at all levels to build a safe operating







environment in a scientific manner, and actively created a benign internal risk control atmosphere for “stable operation and healthy development”. The Group focused on incorporating risk management and compliance management requirements into business process, strengthening informatization and enhancing accountability of each business unit, and actively explored differentiated mechanisms of internal risk control and management for different business units.

In the first half of 2021, 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 its 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 Group, protection for shareholders’ interests and asset safety, and improvement of business quality and strategy implementation.

### Corporate Social Responsibility

In the first half of 2021, the COVID-19 pandemic was generally under effective control nationwide, but sporadic outbreaks still occurred in individual regions. The Group, taking into account its own characteristics, actively implemented the latest national guidelines on epidemic prevention and control, put the safety and health of its employees in the first place, and actively organized its production and operation. While its operating indicators continued to improve and profits increased significantly year-on-year, as of the date of this report, no confirmed or suspected cases occurred among the Group’s employees.

Since this year, due to multiple international and domestic factors, fertilizer prices have shown an upward trend and the supply is relatively tight, and the stable supply of fertilizers is facing great challenges. The Group strictly implemented the spirit of the Central Government’s instruction, attached great importance to it and actively took actions to ensure

the supply of fertilizers, strived to increase production, leveraged its advantages in strategic procurement, strengthened market supply capacity, ensured the supply of agricultural materials during spring cultivation and contributed to the stable production and supply of agriculture.

The Group served the Chinese farmers wholeheartedly, and actively brought into play its influence and leading status in the industry. While developing its channels down closer to customers, the Group directly provided agricultural inputs to the grass-root level and ensured steady supply of products through its comprehensive agricultural inputs distribution and service network covering more than 95% of China’s arable land during the key period of spring cultivation, summer sowing and autumn harvesting seasons. Meanwhile, the Group provided comprehensive and differentiated tailored services for large-scale growers and new planting entities to guide them to scientific fertilizations. The Group cooperated with international advanced enterprises of agricultural inputs to complement each other, provided farmers with comprehensive training service such as crop nutrition, crop protection and planting techniques, and gradually formed comprehensive crop planting solutions in different regions of the country, assisting farmers in reducing planting cost, improving yield quality and increasing income. In the first half of 2021, the Group continued to promote free soil testing service, field guidance, online and offline seminars as well as anti-counterfeiting activities, and integrated high-quality resources to provide farmers with fertilizer and pesticide solution covering the whole cycle of crops. The Group continued to organize comprehensive technical service activities and benefited millions of farmers by providing online and offline planting technique trainings, demonstration seminars and distributed technical solution information.

The Group adhered to the basic national policy of protecting the environment and actively implemented clean production, upholding the basic principle of “people-oriented, prioritized environmental protection, prevention first, integrated governance”.





## Management Review and Prospect (continued)

While preventing new sources of pollution, the Group constantly reduced the emission of pollutants through adopting advanced processes, technologies and equipment to establish an effective and persistent mechanism on environmental protection, actively responding to national policies. Sineochem Fuling actively promoted relocation for the sake of environmental protection, so as to create harmony between energy and the environment. In the first half of 2021, the Group fully achieved its energy-saving and emission reduction goals.

### Outlook

In 2021, recovery of the global economy has become a major trend. Taking the deepening of supply-side structural reform as the main task, the Chinese government accelerates the construction of a new development pattern with domestic circulation as the mainstay and domestic and international dual circulations reinforcing each other. This year is the beginning year of the 14th Five-Year Plan, China's economic recovery will continue to be impressive, and in the big picture of "complete eradication of absolute poverty", the focus of work in "agriculture, rural areas and farmers" will shift to comprehensive rural revitalization, with high quality, branding and modernization as the new directions of agricultural development.

The agricultural transformation of China is still facing pressure. Issues such as low economic efficiency of cereal farming, small scale of mechanization in agricultural production, uneven development of regional agriculture and food security remain to be improved through reforms. The Chinese government is committed to developing modern agriculture, promoting innovation in agricultural technology, accelerating the upgrade of industries, and eliminating the gap between urban and rural areas to form a sustainable economic growth point and strengthen the effective supply of agricultural products. As facility agriculture develops rapidly and agricultural production

and operation standard enhances, the supporting role of technology in agricultural development is strengthened. As China's leading technology-based marketing and service provider of crop nutrition, the Group will continue to promote in-depth development of diversified channels, enhance industry upgrade, and build core competence and long-term competitiveness through developing product portfolio, precision R&D, effective supply chain and digital transformation. On the basis of a steady development of basic fertilizers, the Group will put more effort in R&D of high-end products and improve each part in the agricultural industry chain including R&D, production and marketing.

2021 is a year of opportunity. As Syngenta Group China has been established for a full year, the synergy among business units are gradually emerging. Under the framework of Syngenta Group China and centering on customers, the Group will promote the upgrading from product to "product + service" by taking technology and innovation as the dual drivers, propel the agricultural transformation of China, serve Chinese farmers, and guarantee the national food safety and sustainability. As a leader in crop nutrition innovation in China, the Group is committed to being the most innovative and globalized Chinese agricultural technology company, enabling modern agriculture to benefit more farmers and consumers.



# Management Discussion and Analysis



For the six months ended 30 June 2021, revenue of the Group was RMB13,598 million, up by 8.36% over the corresponding period in 2020. For the six months ended 30 June 2021, gross profit of the Group was RMB1,273 million, up by 21.51% over the corresponding period in 2020. Profit attributable to owners of the Company was RMB663 million, up by 48.14% over the corresponding period in 2020.

## I. OPERATION SCALE

### 1. Sales volume

For the six months ended 30 June 2021, sales volume of the Group was 6,873,000 tons, down by 3.91% over the corresponding period in 2020. In the first half of 2021, because of the impact of monetary policies of quantitative easing around the world, commodity and logistics freight prices rose sharply and the cost pressure on enterprises increased significantly. The Group actively prevented market risks, adhered to its strategic development direction, and continued to promote professionalism and lean operations. Also, the Group continued to strengthen strategic procurement, focused on indepth channel cultivation, implemented differentiated strategies, and focused on building crop-oriented product systems to enhance product competitiveness.

With the continuous adjustment of crop planting structure, the market demand for fertilizers changed profoundly. The Group actively responded to the call for fertilizer application reduction and efficiency enhancement, continued to promote product structure adjustment, and thoroughly developed diversified channels to accelerate business transformation. For the six months ended 30 June 2021, the combined sales volume of special fertilizers and various differentiated products was 981,500 tons, up by 45.64% over the corresponding period in 2020. Among them, sales volume of special fertilizers was 70,000 tons, up by 23.02% over the corresponding period in 2020; sales volume of differentiated compound fertilizers was 642,400 tons, up by 50.02% over the corresponding period in 2020; sales volume of differentiated nitrogen fertilizers was 187,100 tons, up by 27.89% over the corresponding period in 2020; sales volume of new phosphate fertilizers was 82,000 tons, up by 92.94% over the corresponding period in 2020.





## Management Discussion and Analysis (continued)

### 2. Revenue

For the six months ended 30 June 2021, revenue of the Group was RMB13,598 million, increased by 8.36% over the corresponding period in 2020, mainly due to an increase in average selling prices.

**Table 1:**

	For the six months ended 30 June			
	2021		2020	
	Revenue RMB'000	As percentage of total revenue	Revenue RMB'000	As percentage of total revenue
Potash fertilizer	2,167,719	15.95%	2,149,792	17.13%
Nitrogen fertilizer	3,044,777	22.39%	3,171,814	25.28%
Compound fertilizer	3,281,313	24.13%	3,166,446	25.23%
Phosphate fertilizer	3,077,668	22.63%	2,529,694	20.16%
Monocalcium/dicalcium phosphate ("MCP/DCP")	459,869	3.38%	443,409	3.53%
Special fertilizer	316,033	2.32%	264,945	2.11%
Others	1,250,286	9.20%	822,942	6.56%
<b>Total</b>	<b>13,597,665</b>	<b>100.00%</b>	<b>12,549,042</b>	<b>100.00%</b>



### 3. Revenue and results by segment

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

The following is an analysis of the Group's revenue and results by operating segment for the six months ended 30 June 2021 and the corresponding period in 2020.

**Table 2:**

	For the six months ended 30 June 2021				
	Basic Fertilizers RMB'000	Distribution RMB'000	Production RMB'000	Elimination RMB'000	Total RMB'000
<b>Revenue</b>					
External revenue	8,757,138	3,940,359	900,168	–	13,597,665
Internal revenue	589,028	3,750	207,759	(800,537)	–
Reportable segment revenue	9,346,166	3,944,109	1,107,927	(800,537)	13,597,665
Segment profit	394,853	173,259	173,631	–	741,743

	For the six months ended 30 June 2020				
	Basic Fertilizers RMB'000	Distribution RMB'000	Production RMB'000	Elimination RMB'000	Total RMB'000
<b>Revenue</b>					
External revenue	8,075,194	3,644,028	829,820	–	12,549,042
Internal revenue	594,558	6,048	337,142	(937,748)	–
Reportable segment revenue	8,669,752	3,650,076	1,166,962	(937,748)	12,549,042
Segment profit	318,942	142,647	109,236	–	570,825





## Management Discussion and Analysis (continued)

Segment profit represents the profit earned by each segment without taking into account of unallocated share of results of associates and joint ventures, gain on disposal of a subsidiary, unallocated expenses/income and finance costs in relation to the unallocated interest-bearing borrowings and short-term commercial paper. This is the measure reported to the Group's chief operating decision-maker for the purposes of resource allocation and segment performance assessment.

For the six months ended 30 June 2021, the external revenue increased by RMB1,049 million or 8.36% over the corresponding period in 2020, which was mainly attributable to the increase in the price of fertilizer products.

For the six months ended 30 June 2021, the segment profit of the Group was RMB742 million. In particular, the Basic Fertilizers Segment reinforced strategic partnership with domestic and overseas core suppliers, continued to promote strategic sourcing, and constantly innovated business model to accelerate business transformation. In the first half of 2021, the Basic Fertilizers Segment made a profit of RMB395 million, up by 23.80% over the corresponding period in 2020. The Distribution Segment insisted on optimising channel structure and product mix, with the percentage of high margin products and high net worth customers increasing year by year. In the first half of 2021, the Distribution Segment made a profit of RMB173 million, up by 21.46% over the corresponding period in 2020. Major production subsidiaries of the Production Segment continued to strengthen basic work, adjusted product structure in a timely manner according to market demand and strengthened lean production management. In the first half of 2021, the Production Segment made a profit of RMB174 million, up by 58.95% over the corresponding period in 2020.

## II. PROFIT

### 1. *Share of results of associates and joint ventures*

**Share of results of associates:** For the six months ended 30 June 2021, the Group's share of results of associates was a loss of RMB29 million, the loss increased by RMB20 million compared with a loss of RMB9 million for the corresponding period in 2020, which was mainly attributable to the coming relocation of the old plant of Yangmei Pingyuan Chemical Co., Ltd. ("Yangmei Pingyuan") for the sake of environmental protection. Therefore, the Group accelerated amortisation of the value appreciation of asset appraisal recognized at the time of Yangmei Pingyuan expanding its equity capital in 2012. As the result of amortization, the share of results of associates reduced by RMB41 million. Excluding such factor, the Group's share of results of Yangmei Pingyuan would be a profit of RMB8 million. For the first half of 2021, the Group's share of results of other associates such as Beijing Aerospace Hengfeng Technology Corp., Ltd., was a profit of RMB4 million, collectively.



**Share of results of joint ventures:** For the six months ended 30 June 2021, the Group's share of results of joint ventures was a profit of RMB123 million, representing a significant increase compared with a loss of RMB6 million for the corresponding period in 2020, mainly due to a significant improvement in the results of Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. ("Three Circles-Sinochem") for the period, which benefited from a sharp increase in major product prices. The Group's share of results of Three Circles-Sinochem was a profit of RMB100 million, increased by RMB109 million over the corresponding period in 2020. The Group's share of results of Gansu Wengfu Chemical Co., Ltd. ("Gansu Wengfu") was a profit of RMB23 million, increased by RMB20 million over the corresponding period in 2020.

### 2. *Income tax*

For the six months ended 30 June 2021, income tax expense of the Group was RMB22 million, of which current income tax expense was RMB27 million, representing an increase of 57.33% over the corresponding period of last year. Deferred income tax expense was RMB-5 million, being flat compared with the corresponding period of last year. In 2021, as Macao officially abolished the legal regime of the offshore service, Sinochem Fertilizer Macao Commercial Offshore Limited, a subsidiary of the Group, has changed to an ordinary Macao company and changed its name to Sinochem Fertilizer Macao Limited ("Sinochem Macao"). In the first half of 2021, income tax payable by Sinochem Macao was RMB7 million.

The subsidiaries of the Group are mainly registered in China Mainland, Macao, Hong Kong and Singapore, respectively, where income tax rates vary. Among them, the income tax rate of China Mainland 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.

### 3. *Profit attributable to owners of the Company and net profit margin*

For the six months ended 30 June 2021, profit attributable to owners of the Company was RMB663 million, representing a significant increase in the results by 48.14% compared with RMB448 million for the corresponding period in 2020. Faced with fierce market competition and great transformation pressure, the Group adhered to the direction of strategic development, took various operational measures, increased shares of sales of differentiated products, enhanced customer service capabilities, carried out a series of technical reform as well as scientific and technological innovations, and constantly deepened business transformation.

For the six months ended 30 June 2021, the net profit margin of the Group, calculated by dividing profit attributable to owners of the Company by revenue, was 4.88%, representing an increase of 1.31 percentage points over the same period of last year.





## Management Discussion and Analysis (continued)

### III. EXPENSES

For the six months ended 30 June 2021, the three categories of expenses amounted to RMB736 million, up by RMB66 million or 9.91% compared with RMB670 million for the corresponding period in 2020.

**Selling and distribution expenses:** For the six months ended 30 June 2021, selling and distribution expenses amounted to RMB419 million, up by RMB33 million or 8.47% compared with RMB386 million for the corresponding period in 2020. This was mainly attributable to a general increase in logistics transportation expenses and an increase in labour cost of sales personnel.

**Administrative expenses:** For the six months ended 30 June 2021, administrative expenses amounted to RMB304 million, up by RMB35 million or 13.22% compared with RMB269 million for the corresponding period in 2020. This was mainly attributable to the saving of social security expenses resulted from preferential state policies during the COVID-19 pandemic period in the corresponding period of last year, and the increases in administrative labour cost and R&D expenses for the period.

**Finance costs:** For the six months ended 30 June 2021, finance costs amounted to RMB13 million, down by RMB2 million or 12.05% compared with RMB15 million for the corresponding period in 2020. This was mainly attributable to the decrease in the average loan scale.

### IV. OTHER INCOME AND GAINS

This mainly consisted of interest income, sales of scrapped material and raw materials, and government grants. For the six months ended 30 June 2021, the Group's other income and gains amounted to RMB72 million, down by RMB38 million or 34.52% compared with RMB110 million for the corresponding period in 2020, mainly due to the decrease in interest income.

### V. OTHER EXPENSES AND LOSSES

This mainly consisted of impairment loss of property, plant and equipment, write-down of inventories and exchange losses. For the six months ended 30 June 2021, the Group's other expenses and losses amounted to RMB33 million, up by RMB25 million compared with RMB8 million for the corresponding period in 2020. This was mainly due to write-down of inventories for non-conforming products arising from the initial operation of the equipment of Sinochem Agricultural Ecological Technology (Hubei) Co., Ltd., a subsidiary of the Group, as well as impairment loss recognized for equipment scheduled to be removed and scrapped by various production subsidiaries.





### VI. INVENTORIES

As at 30 June 2021, the inventories balance of the Group amounted to RMB3,696 million, down by RMB1,627 million or 30.57% compared with RMB5,323 million as at 31 December 2020. The main reason was the clearance of inventory during the peak season of spring cultivation, leading to a decrease in the inventory scale. The inventory turnover days in the first half of 2021 was 66 days<sup>(Note)</sup>, 9 days faster than that in the corresponding period of last 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 2021, the balance of the Group's trade and bills receivables amounted to RMB1,302 million, increased by RMB730 million or 127.67% compared with RMB572 million as at 31 December 2020, which was mainly due to an increase in the balance of bills receivables. The Group strictly controlled the scope of acceptable bills and actively prevented credit risk, and the turnover days of trade and bills receivables in the first half of 2021 was 12 days<sup>(Note)</sup>.

*Note:* Calculated on the basis of average trade and bills receivables balance as at the end of the reporting period divided by revenue, and multiplied by 180 days.

### VIII. OTHER CURRENT ASSETS

As at 30 June 2021, the total amount of the Group's other current assets amounted to RMB741 million, and all were expenditures, such as land reclamation expense, incurred during the transitional period of the relocation of Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd. ("Sinochem Fuling"), a subsidiary of the Group. As it was expected that the delivery of the land would be completed within a year, the expenses were reclassified from other long-term assets to other current assets at the end of the period.

### IX. LOANS TO RELATED COMPANIES

The Group's balance of loans to related companies was RMB620 million as at 30 June 2021, all of which were for the provision of funds to Sinochem Agriculture Holdings Co., Ltd..

### X. INTERESTS IN ASSOCIATES

As at 30 June 2021, the balance of the Group's interests in associates amounted to RMB590 million, decreased by RMB29 million or 4.62% compared with RMB619 million as at 31 December 2020. The decrease was mainly attributable to the Group's accelerated amortisation of the value appreciation of asset appraisal recognized at the time of Yangmei Pingyuan expanding its equity capital in 2012.





## Management Discussion and Analysis (continued)

### XI. INTERESTS IN JOINT VENTURES

As at 30 June 2021, the balance of the Group's interests in joint ventures amounted to RMB518 million, up by RMB123 million or 31.26% compared with RMB395 million as at 31 December 2020, mainly due to the increase in the profit of joint ventures. In the first half of 2021, accounted under the equity method, the Group's share of results of Three Circles-Sinochem was a profit of RMB100 million, and the Group's share of results of Gansu Wengfu was a profit of RMB23 million.

### XII. OTHER EQUITY SECURITIES

As at 30 June 2021, the balance of the Group's other equity securities amounted to RMB481 million, up by RMB169 million or 54.07% compared with RMB312 million as at 31 December 2020. The increase was mainly attributable to an increase in the fair value of the equity interest in Guizhou Kailin (Group) Co., Ltd. held by the Group, based on the assessment, and the increase in the stock price of China XLX Fertilizer Limited held by the Group at the end of the period.

### XIII. INTEREST-BEARING LIABILITIES

As at 30 June 2021, the Group's interest-bearing liabilities amounted to RMB1,789 million, increased by RMB22 million or 1.22% compared with RMB1,767 million as at 31 December 2020, which was mainly due to a slight increase in the balance of short-term bank borrowings as at the end of the period. For detail information of the interest-bearing liabilities, please see the "XVI Liquidity and Financial Resources" section.



## XIV. TRADE AND BILLS PAYABLES

As at 30 June 2021, the balance of the Group's trade and bills payables amounted to RMB1,962 million, decreased by RMB464 million or 19.11% compared with RMB2,426 million as at 31 December 2020, which was mainly due to a decrease in the balance of bills payable.

## XV. OTHER FINANCIAL INDICATORS

Basic earnings per share for the six months ended 30 June 2021 was RMB0.0944, which increased by 47.96% compared with the corresponding period in 2020. Return on equity (ROE) for the six months ended 30 June 2021 was 7.73%, up by 2.07 percentage points compared with the corresponding period in 2020.

**Table 3:**

	For the six months ended 30 June	
	2021	2020
<b>Profitability</b>		
Earnings per share (RMB) <i>(Note 1)</i>	0.0944	0.0638
ROE <i>(Note 2)</i>	7.73%	5.66%

*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 equity attributable to owners of the Company as at the end of the reporting period.

As at 30 June 2021, the Group's current ratio was 1.27, and the debt-to-equity ratio was 20.29%. The Group enjoyed relatively high banking facilities, and its domestic credit rating was AAA for twelve consecutive years. In addition, the Group had smooth financing channels and diversified fund-raising methods.

**Table 4:**

	As at	As at
	30 June 2021	31 December 2020
<b>Solvency</b>		
Current ratio <i>(Note 1)</i>	1.27	1.09
Debt-to-Equity ratio <i>(Note 2)</i>	20.29%	21.64%

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

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





## Management Discussion and Analysis (continued)

### XVI. LIQUIDITY AND FINANCIAL RESOURCES

The Group's principal sources of financing included cash from business operation, bank loans and the issue of bonds. All the financial resources were primarily used for the Group's marketing, production, repayment of liabilities and related capital expenditures.

As at 30 June 2021, cash and cash equivalents of the Group amounted to RMB2,054 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 2021 RMB'000</b>	As at 31 December 2020 RMB'000
Short-term commercial paper	1,000,000	1,000,000
Bank loans	737,148	714,297
Lease liabilities	51,638	52,927
<b>Total</b>	<b>1,788,786</b>	<b>1,767,224</b>

**Table 6:**

	<b>As at 30 June 2021 RMB'000</b>	As at 31 December 2020 RMB'000
Carrying amount of interest-bearing liabilities		
Within one year	1,778,426	1,754,821
Over one year	10,360	12,403
<b>Total</b>	<b>1,788,786</b>	<b>1,767,224</b>



**Table 7:**

	<b>As at 30 June 2021 RMB'000</b>	As at 31 December 2020 RMB'000
Fixed-rate interest-bearing liabilities	1,788,786	1,767,224
Variable-rate interest-bearing liabilities	–	–
<b>Total</b>	<b>1,788,786</b>	<b>1,767,224</b>

As at 30 June 2021, the Group had banking facilities equivalent to RMB28,759 million, including US\$841 million and RMB23,326 million, respectively. The unutilized banking facilities amounted to RMB27,127 million, including US\$754 million and RMB22,256 million, respectively.

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

### **XVII. OPERATION AND FINANCIAL RISKS**

The Group's major operation risks include the resurgence of the COVID-19 pandemic, gradually tightened external environment, economic and trade frictions one after another, and intensified protectionism. Due to the monetary policies of quantitative easing around the world, the ex-factory price index for industrial products rose sharply year-on-year which led to a significant increase in the cost of enterprises. Market competition in the fertilizer industry was intensified under the background of fertilizer application reduction and efficiency improvement, energy conservation and environmental protection as well as acceleration of industry integration. The Group took initiative to cope with great changes in the domestic and international environment and achieved significant improvement in its results for the period as compared to the same period of last year, which boosted its business confidence. On the one hand, the basic business strengthened the acquisition of resources, focused on deepening channels, strengthened coordination with members of the Syngenta Group, continued to enhance brand status and profitability, and consolidated its overall market competitiveness; on the other hand, the Group actively promoted strategic transformation and resource integration, adjusted and optimized the capacity structure, promoted and enhanced innovative businesses such as technical services and Fertex to explore new points of profit growth, and enhanced the potential for business growth, which would reduce the negative impact of operation risks on the financial performance of the Group.

Besides, the Group's major operation risks include: environmental and social risks, cyber risk and security, risks associated with data fraud or theft.





## Management Discussion and Analysis (continued)

### ***Environmental and social risks***

With the increasingly strict requirements on environmental protection management and gradually intensive efforts in pollution control from the government, the enterprises were required to attach great importance to ecological civilization and environmental protection. The subsidiaries of the Group, engaged in resource development and fertilizer production, strictly complied 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. By strict investigation and management on corporate environmental risk sources, they implemented specific control measures to prevent and control pollution of air, surface water, underground water and soil. In addition, they formulated emergency plans for sudden environmental pollution incidents, equipped themselves with necessary emergency disposal materials, seriously performed emergency response drills, and timely launched emergency plans to limit production during heavy pollution weather. No environmental pollution accident occurred throughout the first half of 2021.

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

With the continuous improvement in information technology of enterprises, the network environment became more and more complicated, and the number of information systems was multiplied. Therefore, the possibility of internet failure and system breakdown was also rapidly increasing. The Group vigorously developed innovative business to enhance its market influence, and meanwhile, the risk from cyberattacks to the information system also increased.

The Group continuously optimized the information system to enhance the capability of cyber security protection and emergency response. At the same time, the Group regularly conducted cyber security inspections and other related work, and accomplished 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 trade secrets, the Group has established a relatively complete confidentiality 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 urge the employees to be alert. The Group selects certain subsidiaries and assesses their information confidentiality work every year. Through interviews with the employees related with confidentiality, examination on relevant regulations 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, information system management, and requires the units under investigation to submit rectification reports within a time limit.

## Management Discussion and Analysis (continued)



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

### **Market risk**

Market risk includes currency risk, interest rate risk and other price risk. Currency risk represents unfavorable change in exchange rate that may have an impact on the Group's financial results and cash flow; interest rate risk represents the unfavorable change in interest rate that may lead to changes in the fair value of fixed rate borrowings and other deposit; and other price risk represents the Group's risk related to the value of 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 will have an impact on the cost of import and export prices. The management of the Group adopted prudent hedging measures all the time and continued to monitor and control the above risks so as to mitigate the potential unfavorable impact on the Group's financial performance.

### **Credit risk**

The biggest credit risk of the Group was subject to that the counterparties might 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 2021. If there was a lack of credit risk management, bad debt losses, as a result of uncollectible accounts and unavailable inventory after advance payment, might influence normal operations of the Group.

The Group had 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 developed risk management strategies and measures to prevent and control the risk, allocated more credit resources to strategic and high-quality core customers and suppliers, and transferred bad debt risks by a proper utilization of various risk protection measures, so as to ensure that the credit business was monitored and guaranteed. Meanwhile, the Group examined the recovery of its major trade receivables on the settlement date every month to ensure a sufficient bad debt provision for unrecoverable accounts, and therefore, credit risk incidents rarely occurred.

### **Liquidity risk**

Liquidity risk may lead to inadequate capital to meet the demand of daily working capital and repayment of debt at maturity. Therefore, the Group took the following measures:





## Management Discussion and Analysis (continued)

Regarding the management of liquidity risk, the Group strengthened position management of ready cash, forecasted and strictly executed the fund plan to monitor and keep enough cash and cash equivalents. In the course of daily operations of procurement, production and sales, the Group paid close attention to the efficiency of working capital turnover to reduce capital occupation. The Group reasonably allocated short and long-term fund sources, and constantly optimized capital structure to meet the demand of working capital and repayment of liabilities at maturity.

### XVIII. CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no contingent liabilities.

### XIX. CAPITAL COMMITMENTS

**Table 8:**

	<b>As at 30 June 2021 RMB'000</b>	As at 31 December 2020 RMB'000
Contracted but not provided for		
– Property, plant and equipment	1,205,226	1,108,545
Authorized but not contracted for		
– Property, plant and equipment	992,367	1,120,537
<b>Total</b>	<b>2,197,593</b>	<b>2,229,082</b>

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

### XX. MATERIAL INVESTMENTS

As at 30 June 2021, for the project of Sinochem Fuling with an annual production capacity of 200,000 tons of fine phosphate and supporting new-type special fertilizers, located in Baitao Industrial Park of Fuling, Chongqing, the accumulated total expenditures was RMB545 million, and the amount of its recycled production devices and equipment from old plants was RMB91 million. According to the relocation investment plan, the total investment of the project is RMB3,292 million, and all required funds are raised by Sinochem Fuling.





### XXI. REMUNERATION POLICY

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

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

The Group reviews its remuneration policy annually and, if necessary, engages professional consultants, to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 30 June 2021, the Group had about 4,564 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 2021, the Group provided around 8,834 person-times or around 18,032 hours of training (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 had also arranged directors & officers' liability insurance which provides comprehensive protection for the Group's business by covering losses in relation to investigations or claims against the Company's Directors and the Group's officers.





# 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 33 to 62 which comprises the consolidated statement of financial position of Sinofert Holdings Limited as of 30 June 2021 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 2021 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

24 August 2021



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021 – unaudited  
(Expressed in Renminbi (“RMB”))

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
<b>Revenue</b>	3	13,597,665	12,549,042
Cost of sales		(12,324,755)	(11,501,495)
<b>Gross profit</b>		1,272,910	1,047,547
Other income and gains		72,089	110,097
Selling and distribution expenses		(418,677)	(385,981)
Administrative expenses		(304,088)	(268,572)
Other expenses and losses		(33,036)	(8,136)
<b>Profit from operations</b>		589,198	494,955
Share of results of associates		(28,616)	(8,541)
Share of results of joint ventures		123,365	(6,235)
Gain on disposal of a subsidiary		25,932	–
Finance costs	4(a)	(13,450)	(15,293)
<b>Profit before taxation</b>	4	696,429	464,886
Income tax	5	(21,723)	(12,073)
<b>Profit for the period</b>		674,706	452,813
<b>Profit for the period attributable to:</b>			
– Owners of the Company		663,419	447,845
– Non-controlling interests		11,287	4,968
		674,706	452,813



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

For the six months ended 30 June 2021 – unaudited  
(Expressed in Renminbi (“RMB”))

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
<b>Profit for the period</b>		<b>674,706</b>	452,813
<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)		145,474	(78,800)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of overseas subsidiaries		(37,233)	32,270
<b>Other comprehensive income for the period</b>		<b>108,241</b>	(46,530)
<b>Total comprehensive income for the period</b>		<b>782,947</b>	406,283
<b>Total comprehensive income attributable to:</b>			
– Owners of the Company		771,660	401,315
– Non-controlling interests		11,287	4,968
		<b>782,947</b>	406,283
<b>Earnings per share</b>	6		
Basic and diluted (RMB)		<b>0.0944</b>	0.0638

The notes on pages 40 to 62 form part of this interim financial report. Details of dividends payable to owners of the Company are set out in Note 14.

# Consolidated Statement of Financial Position

At 30 June 2021 – unaudited  
(Expressed in RMB)



	<i>Note</i>	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	7	3,083,224	2,808,287
Right-of-use assets		469,070	503,215
Mining rights		462,876	479,545
Intangible assets		16,311	17,229
Goodwill	8	827,720	831,107
Interests in associates		590,429	619,045
Interests in joint ventures		517,983	394,618
Other equity securities		481,130	312,286
Prepayments for acquisition of property, plant and equipment		95,189	83,640
Loans to a related party		620,000	950,000
Deferred tax assets		64,581	89,329
Other long-term assets		20,443	742,986
		<b>7,248,956</b>	<b>7,831,287</b>
<b>Current assets</b>			
Inventories		3,695,952	5,323,067
Trade and bills receivables	9	1,301,623	571,719
Other receivables and prepayments		1,450,225	1,945,754
Loans to a related party		–	670,000
Other financial assets		1,562	4,657
Cash and cash equivalents		2,054,388	762,548
Other current assets		740,881	–
		<b>9,244,631</b>	<b>9,277,745</b>
<b>Current liabilities</b>			
Trade and bills payables	10	1,962,238	2,425,679
Contract liabilities		2,330,506	3,680,473
Other payables	11	1,181,035	657,220
Interest-bearing borrowings	12	737,148	714,297
Short-term commercial paper	13	1,000,000	1,000,000
Lease liabilities		41,278	40,524
Tax liabilities		32,720	18,627
		<b>7,284,925</b>	<b>8,536,820</b>





## Consolidated Statement of Financial Position (continued)

At 30 June 2021 – unaudited  
(Expressed in RMB)

	<i>Note</i>	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
<b>Net current assets</b>		1,959,706	740,925
<b>Total assets less current liabilities</b>		9,208,662	8,572,212
<b>Non-current liabilities</b>			
Lease liabilities		10,360	12,403
Deferred income		150,490	152,553
Deferred tax liabilities		165,637	171,622
Other long-term liabilities		64,436	69,083
		390,923	405,661
<b>NET ASSETS</b>		8,817,739	8,166,551
<b>CAPITAL AND RESERVES</b>			
Issued equity		5,887,384	5,887,384
Reserves		2,693,307	2,115,934
Total equity attributable to owners of the Company		8,580,691	8,003,318
Non-controlling interests		237,048	163,233
<b>TOTAL EQUITY</b>		8,817,739	8,166,551

The notes on pages 40 to 62 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021 – unaudited  
(Expressed in RMB)



	Attributable to owners of the Company										
	Issued equity	Capital		Contributed surplus	Fair value			Retained earnings	Total	Non-controlling interests	Total equity
		and other reserve	Statutory reserve		reserve (non-recycling)	Special reserve	Exchange reserve				
		RMB'000	RMB'000		RMB'000	RMB'000	RMB'000				
<b>Balance at 1 January 2021</b>	5,887,384	562,273	366,484	1,582,189	(136,915)	71,138	(575,824)	246,589	8,003,318	163,233	8,166,551
Profit for the period	-	-	-	-	-	-	-	663,419	663,419	11,287	674,706
Other comprehensive income for the period	-	-	-	-	145,474	-	(37,233)	-	108,241	-	108,241
<b>Total comprehensive income for the period</b>	-	-	-	-	145,474	-	(37,233)	663,419	771,660	11,287	782,947
Maintenance and production fund	-	-	-	-	-	2,469	-	(2,469)	-	-	-
Capital injection from non-controlling shareholders (Note 15(a))	-	(3,154)	-	-	-	-	-	-	(3,154)	65,154	62,000
Dividend declared (Note 14(b))	-	-	-	(191,133)	-	-	-	-	(191,133)	(3,399)	(194,532)
Disposal of a subsidiary (Note 15(b))	-	-	-	-	-	-	-	-	-	773	773
<b>Balance at 30 June 2021</b>	5,887,384	559,119	366,484	1,391,056	8,559	73,607	(613,057)	907,539	8,580,691	237,048	8,817,739

	Attributable to owners of the Company											
	Issued equity	Capital		Contributed surplus	Fair value			Retained earnings	Total	Non-controlling interests	Total equity	
		and other reserve	Statutory reserve		reserve (non-recycling)	Special reserve	Exchange reserve					(Accumulated losses)/
		RMB'000	RMB'000		RMB'000	RMB'000	RMB'000					RMB'000
<b>Balance at 1 January 2020</b>	5,887,384	620,945	366,484	1,770,101	(82,296)	70,704	(487,114)	(395,363)	7,750,845	(49,445)	7,701,400	
Profit for the period	-	-	-	-	-	-	-	447,845	447,845	4,968	452,813	
Other comprehensive income for the period	-	-	-	-	(78,800)	-	32,270	-	(46,530)	-	(46,530)	
<b>Total comprehensive income for the period</b>	-	-	-	-	(78,800)	-	32,270	447,845	401,315	4,968	406,283	
Maintenance and production fund	-	-	-	-	-	777	-	(777)	-	-	-	
Capital injection from non-controlling shareholders	-	(58,672)	-	-	-	-	-	-	(58,672)	208,672	150,000	
Dividend declared (Note 14(b))	-	-	-	(187,912)	-	-	-	-	(187,912)	-	(187,912)	
Disposal of other equity securities	-	-	-	-	1,688	-	-	(1,688)	-	-	-	
<b>Balance at 30 June 2020</b>	5,887,384	562,273	366,484	1,582,189	(159,408)	71,481	(454,844)	50,017	7,905,576	164,195	8,069,771	

The notes on pages 40 to 62 form part of this interim financial report.





# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2021 – unaudited  
(Expressed in RMB)

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
<b>Operating activities</b>		
Cash generated from operations	526,847	1,496,197
Income tax paid	(12,237)	(7,891)
<b>Net cash generated from operating activities</b>	<b>514,610</b>	<b>1,488,306</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(406,503)	(199,994)
Proceeds from disposals of property, plant and equipment	130,045	4,055
Acquisition of intangible assets	(482)	–
Addition of other long-term assets	(12,069)	(5,880)
Loans to a related party	–	(250,000)
Loans repaid by related parties	1,000,000	250,000
Interest received	20,388	66,020
Placement of time deposits	–	(499,014)
Proceeds from withdrawal of time deposits	–	551,254
Proceeds from sales of other financial assets	4,657	5,215,000
Purchase of other financial assets	(747)	(6,765,000)
Dividends received from associates	–	3,192
Investment in an associate	–	(44,951)
Net cash inflow from disposal of a subsidiary	19,879	–
Proceeds from disposals of other equity securities	–	3,312
<b>Net cash generated from/(used in) investing activities</b>	<b>755,168</b>	<b>(1,672,006)</b>



## Condensed Consolidated Cash Flow Statement (continued)

For the six months ended 30 June 2021 – unaudited  
(Expressed in RMB)



	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
<b>Financing activities</b>		
Repayment of bank and other loans	(1,883,030)	(1,354,603)
Repayment of short-term commercial paper	(3,000,000)	(1,600,000)
Proceeds from new bank and other loans	1,905,881	1,414,603
Proceeds from short-term commercial paper	3,000,000	1,800,000
Capital element of lease rentals paid	(13,822)	(16,989)
Interest element of lease rentals paid	(1,619)	(340)
Other Interest paid	(43,161)	(51,446)
Dividends paid	(3,399)	(189,283)
Capital injection by non-controlling shareholders	62,000	150,000
<b>Net cash generated from financing activities</b>	<b>22,850</b>	<b>151,942</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,292,628</b>	<b>(31,758)</b>
<b>Cash and cash equivalents as at 1 January</b>	<b>762,548</b>	<b>1,333,998</b>
<b>Effect of foreign exchange rate changes</b>	<b>(788)</b>	<b>1,620</b>
<b>Cash and cash equivalents at 30 June</b>	<b>2,054,388</b>	<b>1,303,860</b>

The notes on pages 40 to 62 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 24 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020 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 in this report.

The financial information relating to the financial year ended 31 December 2020 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 2020 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2021.

## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)



### 2 Changes in accounting policies

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

- Amendments to HKFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021*
- Amendment to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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





## 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	
	2021 RMB'000	2020 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	2,167,719	2,149,792
– Sales of nitrogen fertilizer	3,044,777	3,171,814
– Sales of compound fertilizer	3,281,313	3,166,446
– Sales of phosphate fertilizer	3,077,668	2,529,694
– Sales of monocalcium/dicalcium phosphate (“MCP/DCP”)	459,869	443,409
– Sales of special fertilizer	316,033	264,945
– Sales of other products	1,250,286	822,942
	<b>13,597,665</b>	12,549,042
Disaggregated by geographical location of customers		
– Mainland China	13,137,057	12,165,581
– Others	460,608	383,461
	<b>13,597,665</b>	12,549,042

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 are as follows:

- Basic fertilizers: sourcing and trading of straight fertilizers such as nitrogen, phosphate and potash
- Distribution: building of distribution channels, sourcing and selling of compound fertilizers and new types of fertilizers
- Production: production and sales of fertilizers and MCP/DCP, and also including share of results of associates held by subsidiaries in Production segment

	For the six months ended 30 June 2021				
	Basic				Total
	Fertilizers	Distribution	Production	Elimination	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
External revenue	8,757,138	3,940,359	900,168	–	13,597,665
Internal revenue	589,028	3,750	207,759	(800,537)	–
Reportable segment revenue	9,346,166	3,944,109	1,107,927	(800,537)	13,597,665
Share of results of associates	–	–	(322)	–	(322)
Segment profit	394,853	173,259	173,631	–	741,743
Unallocated share of results of associates					(28,294)
Unallocated share of results of joint ventures					123,365
Unallocated expenses					(197,949)
Unallocated income					57,564
Profit before taxation					696,429





## 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 2020				
	Basic Fertilizers RMB'000	Distribution RMB'000	Production RMB'000	Elimination RMB'000	Total RMB'000
External revenue	8,075,194	3,644,028	829,820	–	12,549,042
Internal revenue	594,558	6,048	337,142	(937,748)	–
Reportable segment revenue	8,669,752	3,650,076	1,166,962	(937,748)	12,549,042
Share of results of associates	–	–	(15,352)	–	(15,352)
Segment profit	318,942	142,647	109,236	–	570,825
Unallocated share of results of associates					6,811
Unallocated share of results of joint ventures					(6,235)
Unallocated expenses					(179,109)
Unallocated income					72,594
Profit before taxation					464,886

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, gain on disposal of a subsidiary, unallocated expenses/income and finance costs in relation to the unallocated interest-bearing borrowings and short-term commercial paper. This is the measure reported to the Group's CODM for the purposes of resource allocation and performance assessment.

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

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



## 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	
	2021 RMB'000	2020 RMB'000
Interest on borrowings	30,875	42,881
Interest on lease liabilities	1,619	340
Less: interest expense capitalized ( <i>Note</i> )	(19,044)	(27,928)
	13,450	15,293

Note: The capitalization rate used to determine the amount of borrowing costs eligible for capitalization related to construction of plant is 2.90% for the current period (the corresponding period in 2020: 3.85%).

#### (b) Other items

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Depreciation charge		
– owned property, plant and equipment	75,579	74,028
– right-of-use assets	27,622	17,140
Amortization of mining rights	16,669	16,812
Amortization of other long-term assets	5,969	4,618
Release of deferred income	(3,790)	(3,790)
Impairment loss on property, plant and equipment	12,628	–
Impairment of trade and bills receivables	213	–
Impairment of other receivables and prepayments	–	3,098
Inventory write-down, net of reversal	13,735	–
Loss/(gain) on disposal of property, plant and equipment	8	(1,275)
Gain on disposal of a subsidiary	25,932	–





## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 5 Income tax

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current tax – PRC Enterprise Income Tax	26,330	16,735
Deferred taxation	(4,607)	(4,662)
	21,723	12,073

- (i) The provision for Hong Kong Profits Tax is calculated by applying at 16.5% (2020: 16.5%) of the estimated assessable profits for the six months ended 30 June 2021.
- (ii) The provision for the PRC Enterprise Income Tax is based on the statutory rate of 25% (2020: 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 Special Administrative Region Tax is calculated by applying at 12% (2020: exempted from income tax) of the estimated assessable profits for the six months ended 30 June 2021.
- (iv) The provision for Singapore Profits Tax is calculated by applying at 17% (2020: 17%) of the estimated assessable profits for the six months ended 30 June 2021.





## 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	
	2021 RMB'000	2020 RMB'000
<b>Profit attributable to owners of the Company</b>		
Profit for the purpose of basic earnings per share	663,419	447,845
	<b>'000 shares</b>	<b>'000 shares</b>
<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 period ended 30 June 2021. 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 2021, the Group acquired items of property, plant and equipment with a cost of RMB387,542,000 (the corresponding period in 2020: RMB181,833,000). Items of property, plant and equipment with a net book value of RMB24,340,000 were disposed (the corresponding period in 2020: RMB2,780,000), resulting in a loss on disposal of RMB8,000 (gain in the corresponding period in 2020: RMB1,275,000).

#### (b) Impairment losses

An impairment loss of RMB12,628,000 was recognized (the corresponding period in 2020: nil) due to the planned liquidation of a subsidiary.





## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 8 Goodwill

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
<b>Carrying Amount</b>		
At 1 January	831,107	850,429
Exchange adjustments	(3,387)	(19,322)
At 30 June/31 December	<b>827,720</b>	831,107

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 2021 RMB'000</b>	At 31 December 2020 RMB'000
Basic fertilizers	179,530	181,580
Distribution	84,485	85,449
Production		
– Sinochem Yunlong Co., Ltd.	531,074	531,074
– Others	32,631	33,004
	<b>827,720</b>	831,107

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 2021 approved by the directors of the Company. The growth rates for the first 3 years from 2021 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 period ended 30 June 2021 and 2020.



## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)



### 9 Trade and bills receivables

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Trade receivables	249,355	41,066
Less: loss allowance	(3,260)	(3,047)
	<b>246,095</b>	38,019
Bills receivable	1,066,578	544,750
Less: allowance for doubtful debts	(11,050)	(11,050)
	<b>1,055,528</b>	533,700
Total trade and bills receivables, net of loss allowance	<b>1,301,623</b>	571,719

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 2021 RMB'000</b>	At 31 December 2020 RMB'000
Within 3 months	242,826	283,554
Over 3 months but within 6 months	838,046	265,122
Over 6 months but within 12 months	219,684	14,978
Over 12 months	1,067	8,065
	<b>1,301,623</b>	571,719

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers 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 2021 RMB'000</b>	At 31 December 2020 RMB'000
Trade payables	1,767,863	1,460,142
Bills payable	194,375	965,537
Trade and bills payables	<b>1,962,238</b>	2,425,679

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 2021 RMB'000</b>	At 31 December 2020 RMB'000
Within 3 months	1,800,150	1,661,239
Over 3 months but within 6 months	87,415	446,285
Over 6 months but within 12 months	45,514	285,494
Over 12 months	29,159	32,661
	<b>1,962,238</b>	2,425,679

## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)



### 11 Other payables

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Payroll payables	72,928	59,419
Interest payables	2,962	15,248
Dividends payable	215,197	24,064
Payables for purchase of property, plant and equipment and land use rights	93,016	107,618
Other taxes related payables	389,487	91,047
Others	353,373	307,181
Financial liabilities measured at amortized cost	1,126,963	604,577
Fair value of forward foreign exchange contracts (Note 16(a))	54,072	52,643
	<b>1,181,035</b>	657,220

### 12 Interest-bearing borrowings

The interest-bearing borrowings represented fixed-rate bank loans carried at amortized cost and repayable within one year. The effective interest rates of borrowings ranged from 2.55% to 3.85% (31 December 2020: 3.55% to 3.85%).

### 13 Short-term commercial paper

Short-term commercial paper as at 30 June 2021 bears interest rate of 2.60% per annum, and is repayable within one year.





## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 14 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 2021 (the corresponding period in 2020: 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	
	2021	2020
	RMB'000	RMB'000
Final dividend in respect of the previous financial year of HK\$0.0327 per share (the corresponding period in 2020: HK\$0.0294 per share).	191,133	187,912

### 15 Capital injection to a subsidiary and disposal of a subsidiary

**(a) Capital injection to a subsidiary**

In June 2021, Sinochem Fertilizer Co., Ltd. (“Sinochem Fertilizer”) converted a loan of RMB200,000,000 granted to Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd. (“Sinochem Fuling”) into an additional capital of Sinochem Fuling, and Chongqing Fuling State-owned Assets Management Group Co., Ltd., the non-controlling shareholder of Sinochem Fuling, injected cash of RMB60,000,000 into Sinochem Fuling. As a result of these transactions, the Group’s interest in Sinochem Fuling increased from 73.78 to 74.56%.

	RMB'000
Carrying amount of non-controlling interests before capital injection	101,963
Carrying amount of non-controlling interests after capital injection	165,117
An increase in non-controlling interests of the Company	63,154

# Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)



## 15 Capital injection to a subsidiary and disposal of a subsidiary (continued)

### (b) Disposal of a subsidiary

On 9 February 2021, Sinochem Fertilizer disposed a subsidiary, Pingyuan County Xinglong Textile Co., Ltd., to a third party with consideration of RMB20,080,000, which resulted a gain from disposal of a subsidiary of RMB25,932,000 and net cash inflow of RMB19,879,000.

## 16 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	Fair value measurements		
	30 June 2021 RMB'000	as at 30 June 2021 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Listed equity securities	184,357	184,357	–	–
Unlisted equity securities	296,773	–	–	296,773
Other financial assets-nitrogen fertilizer futures	1,562	–	1,562	–
Bills receivable	157,454	–	–	157,454
Forward foreign exchange contracts	(54,072)	–	(54,072)	–
<b>Total</b>	<b>586,074</b>	<b>184,357</b>	<b>(52,510)</b>	<b>454,227</b>





## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

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

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

	Fair value at 31 December 2020 RMB'000	Fair value measurements as at 31 December 2020 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Listed equity securities	104,990	104,990	–	–
Unlisted equity securities	207,296	–	–	207,296
Other financial assets – nitrogen fertilizer futures	4,657	–	4,657	–
Bills receivable	30,233	–	–	30,233
Forward foreign exchange contracts	(52,643)	–	(52,643)	–
<b>Total</b>	<b>294,533</b>	<b>104,990</b>	<b>(47,986)</b>	<b>237,529</b>

During the six months ended 30 June 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: 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 2 fair value measurements**

- The fair value of nitrogen fertilizer futures is estimated based on the difference between spot price and contract price.
- The fair value of forward foreign exchange contracts is determined with reference to the difference between the contractual forward price and the forward rate as the end of the reporting period.

#### **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.



## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)



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

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

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

	<b>At 30 June 2021 RMB'000</b>	At 30 June 2020 RMB'000
Unlisted equity securities:		
At 1 January	207,296	283,289
Changes in fair value during the period	89,477	(74,661)
Disposal	–	(1,332)
At 30 June	<b>296,773</b>	207,296

	<b>At 30 June 2021 RMB'000</b>	At 30 June 2020 RMB'000
Bills receivable		
At 1 January	30,233	369,085
Net increase	127,221	12,483
At 30 June	<b>157,454</b>	381,568

#### (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 2020 and 30 June 2021.





## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 17 Capital commitments

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Contracted but not provided for – Property, plant and equipment	1,205,226	1,108,545
Authorised but not contracted for – Property, plant and equipment	992,367	1,120,537
	<b>2,197,593</b>	<b>2,229,082</b>

### 18 Related party transactions

The major related parties that had transactions with the Group during the period ended 30 June 2021 and 2020 were as follows:

#### Ultimate holding company before 17 June 2020

Sinochem Group (*Note*)  
(中國中化集團有限公司)

#### Ultimate holding company from 17 June 2020

China National Chemical Corporation Limited (“ChemChina”) (*Note*)  
(中國化工集團有限公司)

#### Indirect holding company before 17 June 2020

Sinochem Corporation  
(中國中化股份有限公司)

#### Immediate holding company before 17 June 2020

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



# Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)



## 18 Related party transactions (continued)

### Fellow subsidiaries

Sinochem (United Kingdom) Limited  
(中化(英國)有限公司)

Beijing Chemsunny Property Co., Ltd. (fellow subsidiary before 17 June 2020)  
(北京凱晨置業有限公司)

Sinochem Finance Co., Ltd. (“Sinochem Finance”) (fellow subsidiary before 17 June 2020)  
(中化集團財務有限責任公司)

Henan Junhua Development Co., Ltd. (fellow subsidiary from 17 June 2020)  
(河南駿化發展股份有限公司)

China Foreign Economy and Trade Trust Co., Ltd. (fellow subsidiary before 17 June 2020)  
(中國對外經濟貿易信託有限公司)

Sinochem Agriculture Holdings 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. (fellow subsidiary from 17 June 2020)  
(安道麥(北京)農業技術有限公司)

Syngenta (China) Investment Co., Ltd. (fellow subsidiary from 17 June 2020)  
(先正達(中國)投資有限公司)

Sinochem International Crop Care Co., Ltd.  
(中化作物保護品有限公司)





## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 18 Related party transactions (continued)

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

PCS Sales (USA) Inc.

#### Associates

Guizhou Xinxin Industrial Holdings Group Co., Ltd.  
(貴州鑫新實業控股集團有限責任公司)

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

Chongqing Fuling Zhongwang Agricultural Material Co., Ltd.  
(重慶市涪陵區眾旺農資有限公司)

#### Joint ventures

Yunnan Three Circles-Sinochem Fertilizer 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 the then ultimate holding company (before 17 June 2020)

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

Note:

On 17 June 2020, the Company was informed by Sinochem Hong Kong that it has completed the transfer of 3,698,660,874 ordinary shares of the Company held by it to CNAC (HK) Holdings Company Limited, renamed as Syngenta Group (HK) Holdings Company Limited (“Syngenta Group (HK) Holdings”). Syngenta Group (HK) Holdings is a wholly-owned subsidiary of Syngenta Group Co., Ltd., which is in turn wholly owned by China National Agrochemical Co., Ltd. (“CNAC”). CNAC is a wholly-owned subsidiary of ChemChina.

## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)



### 18 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	
	2021 RMB'000	2020 RMB'000
<b>Sales of fertilizers to</b>		
Fellow subsidiaries	443,134	288,268
Joint ventures	63,688	45,149
	506,822	333,417
<b>Purchases of fertilizers from</b>		
The then ultimate holding company	–	23,732
Joint ventures	833,523	645,401
Associates	–	70,986
Fellow subsidiaries	209,877	–
A subsidiary of a shareholder with significant influence over the Company	–	252,036
Associate of the then ultimate holding company	–	574,650
	1,043,400	1,566,805
<b>Import service fee paid to</b>		
A fellow subsidiary	4,967	9,252
<b>Office rental fee paid to</b>		
The then immediate holding company	–	1,285
Fellow subsidiaries	–	17,298
	–	18,583
<b>Loans to a related party</b>		
A fellow subsidiary	–	250,000





## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 18 Related party transactions (continued)

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
<b>Repayments of loans to related parties</b>		
A fellow subsidiary	330,000	250,000
An associate	670,000	–
	<b>1,000,000</b>	<b>250,000</b>
<b>Interest income from related parties</b>		
An associate	10,134	19,333
A fellow subsidiary	12,672	2,570
	<b>22,806</b>	<b>21,903</b>
<b>Loans from related parties</b>		
Fellow subsidiaries	–	1,115,000
<b>Repayment of loans from related parties</b>		
Fellow subsidiaries	–	1,115,000
<b>Interest expenses for loans from related parties</b>		
Fellow subsidiaries	–	8,082
<b>Interests income of financial assets from</b>		
A fellow subsidiary	–	1,977



## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)



### 18 Related party transactions (continued)

#### (b) Balances with related parties

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

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Trade receivables	37,331	272
Other receivables and prepayments	19,511	50,643
Trade and bills payables	13,689	149,172
Other payables	17,197	47,976
Contract liabilities	36,700	117,474
Loans to related parties	620,000	1,620,000

#### (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 Group (before 17 June 2020) and ChemChina (from 17 June 2020) which is controlled by Chinese government. Apart from the transactions with Sinochem Group, ChemChina 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:

	<b>Six months ended 30 June</b>	
	<b>2021 RMB'000</b>	2020 RMB'000
Sales of fertilizers	1,003,587	1,022,147
Purchases of fertilizers	2,628,404	3,492,054





## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 18 Related party transactions (continued)

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Salaries and other benefits	6,616	5,659
Retirement benefit scheme contributions	205	87
Fees	712	775
	7,533	6,521

### 19 Guarantee

In 2019, Sinochem Fertilizer entered into a guarantee agreement, pursuant to which, Sinochem Fertilizer will provide a guarantee in favor of Jinneng Holding Equipment Manufacturing Group Co., Ltd. ("Jinneng Holding Equipment", formerly known as Shanxi Jincheng Anthracite Mining Group Co., Ltd.) for loans and guarantee provided by Jinneng Holding Equipment to Jinneng Holding Equipment Manufacturing Group Tianyuan Shanxi Chemical Co., Ltd. ("Tianyuan Shanxi", formerly known as Shanxi Jinmei Tianyuan Chemical Co., Ltd.). Sinochem Fertilizer holds 15.11% equity interest in Tianyuan Shanxi and designates it at FVOCI (non-recycling). Sinochem Fertilizer pledged its 15.11% equity interest in Tianyuan Shanxi to Jinneng Holding Equipment to secure the loans and guarantee granted and Sinochem Fertilizer's guarantee is cap at the fair value of 15.11% equity interest in Tianyuan Shanxi.

On 31 March 2021, Sinochem Fertilizer and Sinochem Finance entered into a guarantee agreement, pursuant to which, Sinochem Fertilizer will provide a guarantee of no more than RMB670 million for the outstanding loans provided by Sinochem Finance to Yangmei Pingyuan (an associate of Sinochem Fertilizer).

### 20 Impacts of COVID-19 pandemic

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position.

The Group has been closely monitoring the impact from the COVID-19 pandemic on the Group's businesses and has commenced to put in place various contingency measures. These contingency measures include but not limited to improving the production rate and increasing the import to ensure the supply of the spring cultivation; using the logistics services offered by its e-commerce platform to enhance the efficiency in organising logistics vehicles and reduce transportation cost; economizing social insurance expenditure by government's preferential policies. The Group will keep the contingency measures under review as the COVID-19 pandemic situation evolves.







## INTERIM DIVIDEND

The board of directors of the Company (the “Board”) did not recommend the declaration of interim dividend for the six months ended 30 June 2021.

## 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 Securities and Futures Ordinance (the “SFO”), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were disclosed below.

As at 30 June 2021, 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 ordinary 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 2021, 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 2021, 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 2021, 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
China National Chemical Corporation Limited (“ChemChina”) <sup>(Note 1)</sup>	3,698,660,874	52.65%
Syngenta Group Co., Ltd. (“Syngenta Group”) <sup>(Note 1)</sup>	3,698,660,874	52.65%
Syngenta Group (HK) Holdings Company Limited (“Syngenta HK”) <sup>(Note 2)</sup>	3,698,660,874	52.65%
Nutrien Ltd. <sup>(Note 3)</sup>	1,563,312,141	22.26%
Potash Corporation of Saskatchewan Inc. (“Potash Corporation”) <sup>(Note 3)</sup>	1,563,312,141	22.26%
PCS (Barbados) Investment Company Limited (“PCS”) <sup>(Note 4)</sup>	1,563,312,141	22.26%

*Notes:*

1. Syngenta HK, formerly known as CNAC (HK) Holdings Company Limited, 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). Accordingly, ChemChina, CNAC and Syngenta Group are deemed to be interested in 3,698,660,874 ordinary shares of the Company, being corporate interest beneficially held by Syngenta HK.
2. Syngenta HK was beneficially interested in 3,698,660,874 ordinary shares of the Company.
3. PCS is a wholly-owned subsidiary of PCS (Barbados) Enterprise SRL, which is in turn wholly owned by Potash Corporation. Potash Corporation is wholly owned by PCS 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.
4. PCS was beneficially interested in 1,563,312,141 ordinary shares of the Company.

Save as disclosed above, other than the directors or chief executives of the Company, the Company has not been notified of any other relevant interests or short positions held by any other person in the issued share capital of the Company as at 30 June 2021, which were required to be recorded in the register maintained by the Company under section 336 of the SFO.

### 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 2021.



### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules 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 2021.

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

### CORPORATE GOVERNANCE STANDARDS

Recognizing the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, the Company is 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 and Corporate Governance Report contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2021 and up to the date of this report, except for the deviations from the code provisions A.1.7 and E.1.2 as described below.

The code provision A.1.7 stipulates that, if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting. During the period and up to the date of this report, the Board approved certain connected transactions by circulation of written resolutions in lieu of physical board meeting, for which certain directors of the Company are also the senior management of the connected person and therefore 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 transactions as appropriate.

The code provision E.1.2 provides that, among others, the chairman of the board should attend the annual general meeting of the listed issuer. As a result of the then existing epidemic prevention and control and the regulations on entry restrictions all over the world, Mr. J. Erik Fyrwald did not come to Hong Kong to chair the annual general meeting of the Company held on 7 June 2021 (the "2021 AGM"). In accordance with the bye-laws of the Company, Mr. Harry Yang, an executive director of the Company, was elected by the directors to chair the 2021 AGM. Respective chairmen and/or members of the audit, remuneration, nomination and corporate governance committees of the Company were present at the 2021 AGM and were available to answer relevant questions, which was in compliance with other part of code provision E.1.2.

Save as disclosed above, please refer to the "Corporate Governance Report" contained in the Company's 2020 annual report for more information about the corporate governance of the Company.





## Additional Information (continued)

### AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) has reviewed, with the management and the external auditors, the condensed consolidated financial statements of the Company for the six months ended 30 June 2021, 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 2021 and up to the date of this report are as follows:

On 23 March 2021, an announcement has been published by China Huarong Asset Management Co., Ltd. (“China Huarong”) that Mr. Tse Hau Yin, Aloysius, an Independent Non-Executive Director of the Company, has resigned as an independent non-executive director of China Huarong and the resignation shall be effective from the commencement of the term of office of the new independent non-executive director. Meanwhile, with effect from 3 June 2021, Mr. Tse Hau Yin, Aloysius no longer served as an independent non-executive director of OCBC Wing Hang Bank limited.

### BOARD OF DIRECTORS

As at the date of this report, the executive directors of the Company are Mr. Qin Hengde (*Chief Executive Officer*), Mr. Feng Mingwei and Mr. Harry Yang; the non-executive director of the Company is Mr. J. Erik Fyrwald (*Chairman*), and the independent non-executive directors of the Company are Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius.

For and on behalf of the Board

#### **Qin Hengde**

*Executive Director and Chief Executive Officer*

Hong Kong, 24 August 2021