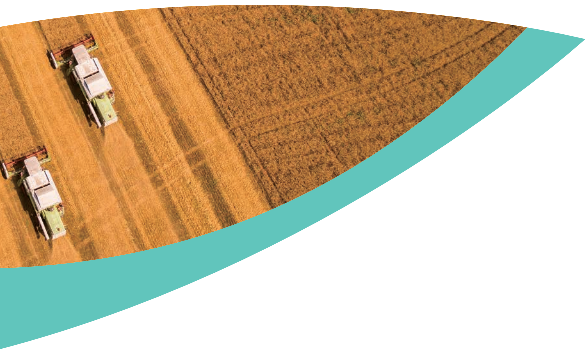
中化化肥控股有限公司
SINOFERT HOLDINGS LIMITED

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

ANNUAL REPORT 2021

NURTURING CHINA'S AGRICULTURE SECTOR





Contents

DEFINITIONS

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

Term	**Definition**
"Audit Committee"	the audit committee of the Company established by the Board in 1999
"Board"	the board of Directors of the Company
"Bye-law(s)"	the bye-law(s) of the Company, as amended, modified or otherwise supplemented from time to time
"ChemChina"	中國化工集團有限公司 (China National Chemical Corporation Limited)
"Company"	Sinofert Holdings Limited
"connected person"	has the same meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the same meaning ascribed to it under the Listing Rules
"continuing connected transaction(s)"	has the same meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the same meaning ascribed to it under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report in effect during the year ended 31 December 2021 contained in Appendix 14 to the Listing Rules
"Corporate Governance Committee"	the corporate governance committee of the Company established by the Board in 2012
"COVID-19 pandemic"	Novel Coronavirus (2019) pandemic
"Director(s)"	the director(s) of the Company
"Fertex"	a service platform for industrial ecology
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC

Term	Definition
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Macao"	Macao Special Administrative Region of the PRC
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company established by the Board in 2005
"PRC" or "China"	the People's Republic of China, which for the purposes of this annual report only, excludes Hong Kong, Macao and Taiwan
"Remuneration Committee"	the remuneration committee of the Company established by the Board in 2005
"RMB"	Renminbi, the lawful currency of the PRC
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Singapore"	Republic of Singapore
"Sinochem Agriculture"	中化現代農業有限公司 (Sinochem Agriculture Holdings Limited)
"Sinochem Fertilizer"	中化化肥有限公司 (Sinochem Fertilizer Company Limited)
"Sinochem Finance"	中化集團財務有限責任公司 (Sinochem Finance Co., Ltd.)
"Sinochem Holdings"	中國中化控股有限責任公司 (Sinochem Holdings Corporation Ltd.)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the same meaning ascribed to it under the Listing Rules
"Syngenta Group"	先正達集團股份有限公司 (Syngenta Group Co., Ltd.)
"US$"	United States dollars, the lawful currency of the United States of America
"%"	percent

COMPANY PROFILE AND CORPORATE INFORMATION

COMPANY PROFILE

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

Major businesses of the Company and its subsidiaries include the production, import and export, distribution and retail of raw materials and finished products of crop nutrition products, provision of technological research and development and services relating to crop nutrition business and products, exploration and exploitation of phosphate mine, and production of monocalcium/dicalcium phosphate (MCP/DCP).

Benchmarked by the turnover of 2021, the Group is:

- China's leading crop nutrition products distribution service provider;
- a large supplier of imported crop nutrition products in China;
- China's leading manufacturer of crop nutrition products.

The Group's competitive strengths are mainly reflected in:

- its business model of centering on distribution services and integrating production and distribution;
- China's leading distribution network of agricultural inputs;
- its abilities to produce and distribute complete varieties of crop nutrition products, including nitrogen, phosphate, potash, compound fertilizers and special fertilizers;
- its strategic alliances with various international suppliers;
- its comprehensive agrichemical service system directly reaching the farmers;
- one of the largest phosphate resource owners in China and one of the largest MCP/DCP manufacturers in Asia.

The Group strives to become the most innovative, leading technology-based marketing and service provider of crop nutrition in China. The Group constantly aspires to achieve sustainable, stable and rapid growth, to deliver value and returns to the shareholders, and to be committed to social responsibilities.

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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Xitieying Middle Road
Fengtai District
Beijing 100069, PRC

FINANCIAL HIGHLIGHTS

(RMB'000 except for sales volume and basic earnings per share)

	2021	2020
Sales volume *(in 10,000 tons)*	1,040	1,217
Revenue	22,641,396	21,380,740
Gross profit	1,960,002	1,986,983
Profit before taxation	900,122	671,742
Profit attributable to owners of the Company	866,612	644,074
Basic earnings per share *(RMB)*	0.1234	0.0917
Return on equity *(Note 1)*	10.35%	8.18%
Debt to equity ratio *(Note 2)*	12.17%	21.64%

Note 1: Calculated on the basis of profit attributable to owners of the Company for the reporting period divided by the average equity attributable to owners of the Company as at the beginning and the end of the reporting period.

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

CHAIRMAN’S STATEMENT

CHAIRMAN'S STATEMENT

To shareholders,

On behalf of the Board of Directors, I hereby report to all shareholders the annual results of Sinofert Holdings Limited and its subsidiaries for the year ended 31 December 2021.

In 2021, affected by the impacts of the global pandemic, international imported inflation and disruptions in industrial and supply chain cycles, bulk commodity prices have soared. Facing such overwhelming market challenges, the Group firmly implemented various strategic initiatives determined at the beginning of the year. By adopting various professional operational measures including innovative digital marketing model, channel coordination and differentiation, the Group managed to seize market opportunities. Under the guidance of Sinochem Holdings and Syngenta Group, the Group remained positive and diligent to overcome difficulties, thereby achieving fruitful results on various fronts. In 2021, profit attributable to owners of the Company was RMB867 million, up by 35% year on year. The operating indicators performed well, and the debt to assets structure was steady with a relatively strong solvency.

The Basic Fertilizers Division actively explored new strategic suppliers, continuously focused on strategic procurement, strengthened the relationship with its core suppliers to ensure a steady supply of high-quality products, and secured the demand for industrial and agricultural production. The Group also strengthened the downstream channels, promoted differentiated basic fertilizers, and enhanced its technical services and its ability to meet customers' needs. By leveraging innovation and transformation and striving for operational excellence, the number of registered users, volume of logistics transportation and transaction volume of Fertex have been increasing. By upgrading its services and functions, Fertex has successfully introduced strategic investment. The service models for green planting have been successfully piloted and continuously iterated. The market influence of potash for agriculture was further enhanced, and the sales volume and profit of Meilinmei series products and differentiated nitrogen fertilizer have reached new highs. In 2021, profit before taxation of the Basic Fertilizers Division amounted to RMB600 million, representing a year on year increase of 18%, continuing to be the anchor for profits.

The Distribution Division continued its robust growth. Capitalizing on the synergy arising from research, production and sales and continuous adjustments of the product structure, the gross profit margin has been increasing. By focusing on crop orientation and developing a 6P marketing plan for the three major staples, our high-end product, namely Lanlin, has made certain breakthroughs. The proportion of core single product has increased significantly. Through expanding diversified channels and improving our technical service capabilities, our direct retailers, large-scale planting companies and customers from special channels accounted for 60% of our sales. By actively coordinating with Syngenta Group's internal resources, the crop protection business has surged in size and recorded an annual turnover of RMB420 million. In 2021, the sales volume of special fertilizers and various differentiated compound fertilizers were 1,000,000 tons, up by 37% year on year, accounting for 61% of domestic fertilizers. Profit before taxation of the Distribution Division amounted to RMB166 million, up by 11% year on year.

Overcoming the adverse effects of dual energy control and rising prices of raw materials such as coal and sulfur, the production enterprises made every effort to ensure stable, long-lasting and optimal operations. At the same time, the production enterprises seized the favorable opportunity arising from surging prices of synthetic ammonia and MCP/DCP. As a result, the gross profit margin hit a record high. The annual sales volume amounted to 650,000 tons in aggregate. Profit before taxation amounted to RMB277 million. The accumulative investment in the relocation project of Sinochem Chongqing Fuling Chemicals Co., Ltd. ("Sinochem Fuling") amounted to RMB1.695 billion. 78% of the overall visual progress has been completed. The project progress and quality have met predetermined requirements.

The R&D team steadily expanded, while the R&D investment steadily increased. The Group has confirmed its research and development direction of "nutrient efficiency + soil health + biologics". By leveraging the integrated mechanism of research, production and sales, commercialization of research results was further improved. The annual production and sales volume of commercialized products exceeded 1,000,000 tons for the first time. New breakthroughs have also been made in the construction of R&D platforms. In December 2021, the "National Engineering Research and Development Center for Arable Land Protection" jointly established by the Group and Chinese Academy of Agricultural Sciences was approved by the National Development and Reform Commission, marking the first time that the Company obtained national-level R&D platform qualification.

Amid such challenging market environment, the Board of Directors of the Company has always adhered to the goal of maximizing shareholder value, continuously improving corporate governance and optimizing the management system. In accordance with the Corporate Governance Code of the Stock Exchange, the Company's Board of Directors held four regular meetings in 2021 at which the Company's annual report, interim report, strategies and planning and other significant matters were reviewed and approved. Meanwhile, the Board also reviewed and approved other matters such as connected transactions, continuing connected transactions, significant business and financing matters through other means. The Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee of the Board had all fulfilled their respective duties and rights as delegated by the Board on such matters as improving internal control, optimizing the remuneration and motivation systems and perfecting the corporate governance structure.

In 2022, clouded by the global COVID-19 pandemic and increased uncertainty to the global economic recovery caused by the Russia-Ukraine conflict and inflation, China's fertilizer industry is still facing difficult environments. Production cost and supply chain of the industry will be under pressure with the divergence of fertilizer enterprises. Meanwhile, with strong economic recovery in China, the Chinese government continued to attach great emphasis on agricultural modernization, as expressed in the Circular No.1 entitled "Opinions on Key Issues of Comprehensive Promotion of Rural Revitalization", which was officially announced on 22 February 2022, being the 19th of such documents since the beginning of the new century. As such, new progress has been made in promoting rural revitalization, launching a new chapter in agricultural and rural area modernization. This will create important opportunities for the Group's innovative operations and business transformation.

In 2022, the Group will continue to focus on business transformation and upgrading, follow the trend of the rapidly changing fertilizer industry in China, and take root in modern agriculture to promote healthy and sustainable development of arable land, thereby leading the industry in green emission reduction and innovation. The Group will also streamline its operational structure to achieve stable and sustainable growth. The Basic Fertilizers Division will continue to strengthen strategic procurement and marketing systems for agricultural and industrial customers. At the same time, the Basic Fertilizers Division will also focus on ensuring supply and stabilizing prices, accelerating innovation and transformation, creating synergies and improving efficiency, and implementing strategies to double the sales of potash fertilizer and strive for phosphate fertilizer innovation. The Distribution Division will adhere to its differentiated product strategy and strengthen the internal coordination within Syngenta Group. In addition, the Distribution Division will facilitate all-round cooperation in terms of channels and customer development, product expansion and package sales. By focusing on crop orientation, the Distribution Division will promote product upgrades, achieve digital transformation of traditional distribution channels and improve the level of digitalization. By rapidly increasing the number of users of "Nong Xiao Hui", and "Nong Da Quan", the Distribution Division aims at maximizing its channel value. The production subsidiaries will accelerate transformation and upgrading and promote the "move for better and stronger" relocating work of Sinochem Fuling. The Group will continue to improve product R&D and commercialization capabilities, and push forward the construction of a highly efficient R&D and innovation platform for fertilizers with the Linyi R&D Centre at its core. Meanwhile, by adhering to the vision of "In Science We Trust", the Group will achieve faster transformation and development under the framework of Syngenta Group and strive to become the most innovative leading crop nutrition enterprise in China.

The year of 2022 will be full of opportunities and challenges. Under the framework of Syngenta Group China, the Group will vigorously promote the development of modern agriculture by taking technology and innovation as the dual drivers. Also, the Group will devote more efforts into the research and development as well as promotion of scientifically balanced fertilizer application and products that can reduce fertilizer application and enhance efficiency. Meanwhile, the Group will continuously promote agricultural knowledge, popularize scientific fertilizer application and help farmers to increase yield and income, thereby making efforts in promoting the agricultural transformation and developing sustainable and healthy agricultural industry in China.

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

J. Erik Fyrwald
Chairman of the Board

Hong Kong, 22 March 2022

CHRONICLE OF EVENTS

JANUARY 2021

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

FEBRUARY 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, an Executive Director and the Chief Executive Officer of the Company, met Mr. Hussam Al Husseini, the Ambassador of the Kingdom of Jordan Hashem to China, in Beijing. 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 their strategic cooperation.

- 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 at 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.

JUNE 2021

- Sinochem Jilin Changshan Chemical Co., Ltd. ("Sinochem Changshan"), a subsidiary of the Company, 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.

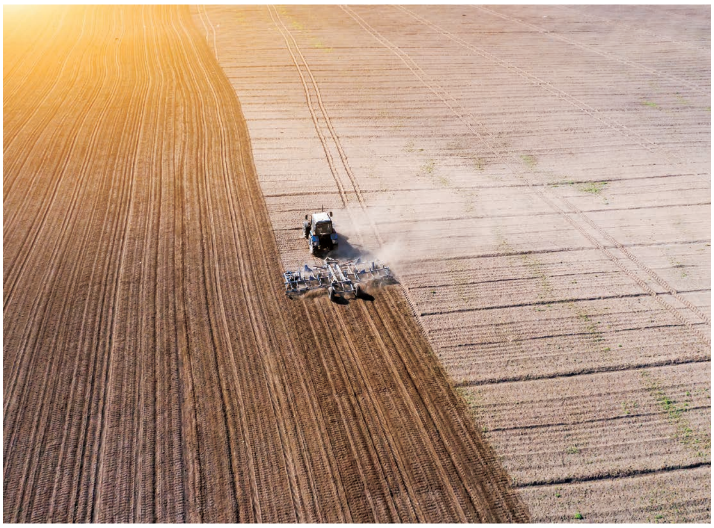
- The Group held the first Meilinmei product VIP customer marketing summit, empowering core customers and increasing cooperation. Meilinmei saves upstream phosphate mine resource while helping farmers to increase production, and the sales volume has doubled continuously in the past four years since its launch. Meilinmei has become one of the leading Chinese brands of efficiency enhancing phosphate fertilizers.

- The 2021's first batch of containerized potash fertilizer of Arab Potash Company of Jordan (APC) arrived at Xiamen Port. The Group initiated 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.

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, they 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.



JULY 2021

- The first shipment delivered by containerized shipping expanded through the communication and coordination between the Group and its strategic supplier Arab Potash Company of Jordan (APC), has arrived at Zhanjiang Port, which has become a new force in securing supply in the peripheral markets.

- The Testing Centre of Sinochem Changshan, a subsidiary of the Company, obtained the Laboratory Accreditation Certificate with registration number CNAS L 15038 from China National Accreditation Service for Conformity Assessment (CNAS). The CNAS accreditation covers three areas, namely chemical analysis of fertilizers, chemical analysis of soil and routine analysis of coal.

- The Group, as the storage enterprise of the national disaster relief reserve of chemical fertilizers, implemented the spirit of the notice of the National Development and Reform Commission by delivering 1,000 tons of urea and 1,000 tons of NPK compound fertilizers to five counties in Henan Province, including Yuanyang and Yanjin, in accordance with the "Management Requirements of the National Fertilizer Commercial Reserve", based on the needs for agricultural production resumption after the disaster in Henan Province, with an aim to support and secure the post-disaster production, thereby demonstrating its fulfillment of corporate responsibility.

OCTOBER 2021

- The Group invested and established Sinochem (Linyi) Crop Nutrition Co., Ltd. to construct an integrated service platform for research, development and production of a new generation of special fertilizers and microbial agents. The platform serves to further enhance the scientific research and production technology of special fertilizers and microbial agents in China.

- The Group has completed the research, development and launch of Granular Fertilizer GHM for Paddy Rice Regrowth and Tillering successfully. With the functions of helping paddy rice to regrow, increase tillering effectiveness and resist low temperature, GHM has significantly improved paddy rice yield, and was launched to the market in 2021. The production and launch of GHM enriched the Group's biostimulant product portfolio and promoted the gross profit of the Group. In addition, from the perspective of product significance, such product is material for paddy rice to withstand adversity and for ensuring its stable and high yield.

NOVEMBER 2021

- The "Technical General Principles of Smart Fertigation System in Facility Horticulture" setting out group standards was officially published, which was led by the Group and copyrighted. It presents the Group's integrated solutions for smart fertigation in facility horticultural, provided to various industries such as crop nutrition, agricultural equipment and Internet of things, and has been widely recognised by the community. It further promoted the formation of smart fertigation ecosystem in China and established the leading position of the Group in the field of smart fertigation system.

- Mr. FENG Mingwei, an Executive Director of the Company, led the team to participate in the research on "Key Technology for Efficient Utilization of Nutrient Resources of Major Food Crops" conducted by Institute of Resources and Agricultural Regionalization, Chinese Academy of Agricultural Sciences. The research achievement was awarded the "Second Prize of National Science and Technology Advancement in 2020" granted by The State Council of the People's Republic of China. The research laid a solid foundation for Chinese agriculture to realize scientific fertilization, with usage reduction and efficiency improvement. The Group's concept of scientism and sustainable development has been deeply implemented.

国家科学技术进步奖
证 书

为表彰国家科学技术进步奖获得者，特颁发此证书。

项目名称：主要粮食作物养分资源高效利用关键技术

奖励等级：二等

获 奖 者：中国农业科学院农业资源与农业区划研究所

2021年9月23日

证书号：2020-J-251-2-06-D01

证书编号：2020-J-251-2-06-D01-R16

冯明伟 同志：

你参加完成的“主要粮食作物养分资源高效利用关键技术”研究成果，获2020年度国家科学技术进步二等奖。

特此发证，以资鼓励。

中国农业科学院农业资源与农业区划研究所

2021年11月17日

DECEMBER 2021

- 

  Yitong Digital Technology Co., LTD., established and invested by the Group, has been formally registered in Sanya, Hainan. The company was jointly invested and established by Sinochem Fertilizer, Qinghai Salt Lake Industry Co., Ltd. ("Qinghai Salt Lake"), and Sinochem Capital Investment Management Co., Ltd. ("Sinochem Capital Investment"), and would undertake the operation of Fertex, a service platform for industrial ecology. By integrating digital technology and focusing on the service industry, the company would provide continuous optimization solutions for the circulation of agricultural materials in China.

- The Group and Chinese Academy of Agricultural Sciences jointly established the "National Engineering Research and Development Center for Arable Land Protection" to further promote the research and development of arable land protection technologies and their application in engineering with the focus on the protection and sustainable utilization of arable land. It also enhanced innovation in scientific research of arable land, thereby ensuring food security and promoting the rural revitalization in China.

- Sinochem Yunlong, a subsidiary of the Company, has been accredited for "National Green Factory". It has passed a series of certifications including FAMI-QS, ISO9001, ISO14001, ISO45001 and ISO50001 in recent years. It strictly implemented the "Three Simultaneity" for environmental protection and actively carried out review and inspection on clean production and verification of carbon emissions. Adhering to the concept of manufacturing products with ecological designs, the company continuously increased investment in technology and innovation to achieve continuous upgrading of technology and products. All solid waste was safely disposed or comprehensively utilized. The company has also been actively fulfilling its social responsibility as a state-owned enterprise. Due to its advantages in the fields of waste management, energy conservation, emission reduction, comprehensive utilization and clean production, the company has been successfully selected and won the title of National "Green Factory".

MANAGEMENT REVIEW AND PROSPECT

MANAGEMENT REVIEW AND PROSPECT

Business Environment

In 2021, with the acceleration of global vaccination and gradually lifting of lockdown measures in various countries, the global economy has been showing regional recoveries, with revivals in international trade, investment and manufacturing industries. Nevertheless, the outbreak of Omicron, a variant of COVID-19, at the end of the year led to an epidemic rebound, adversely affecting the continued recovery of the global economy. Throughout 2021, developed countries persisted in adopting accommodative monetary and fiscal stimulus policies, which strengthened global inflation expectations, and commodity prices continued to increase. The Chinese government, while strictly controlling the COVID-19 pandemic in China, adopted prudent economic policies rather than "indiscriminate" monetary policies, resulting in a remarkable recovery of national economy that its annual GDP increased by 8.1% over the corresponding period in 2020, leading other major economies. With the development of a moderately prosperous society in all respects, China has solved its historical problem of absolute poverty, showing a complete victory in the fight against poverty. At the same time, China has witnessed high-quality and steady agricultural development, and gradually transformed itself from a large agricultural country to a strong agricultural country.

Being the beginning year of the 14th Five-Year Plan, 2021 was also the first year to carry out comprehensive promotion of rural revitalization. The Chinese government has given top priority to solving problems related to agriculture, rural areas and farmers, taking comprehensive rural revitalization as a major historical task in realising the great rejuvenation of the Chinese nation, by accelerating modernization of agriculture and rural areas. As for agricultural development, green and quality agriculture was promoted when upholding the philosophy of revitalizing agriculture with quality and in green. With poverty alleviation accomplished, the focus of rural work has gradually shifted to the comprehensive promotion of rural revitalization.

In 2021, the fertilizer market also benefited from the recovery of the overseas and domestic agricultural markets, with product prices rising in general. Faced with this situation, China has implemented measures to stabilize production and ensure supply of agricultural products, which led to an improvement in the supply quantity and quality of major agricultural products. However, due to international trade frictions and the continuous impact of the COVID-19 pandemic, the transportation availability and price stability of fertilizer products encountered huge challenges. The Chinese government continued to implement policies for strengthening agriculture and benefiting farmers to stabilize the supply and prices of fertilizers in the domestic market, thereby consolidating the foundation of agriculture to ensure steady promotion of rural revitalization under the complex domestic and overseas market environment. The State vigorously promoted the protection and improvement of arable land quality by organizing coordinated demonstration of fertilizer application reduction and efficiency enhancement of key crops in counties with high-quality and efficient green actions, guiding enterprises and social service organizations to carry out scientific fertilizer application technology services, and supporting 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, in order to consolidate its leading position in the industry, the Group, under the leadership of the Board, pushed forward strategic transformation and achieved significant improvement through its five major must-win initiatives to help modernize the agriculture industry in China. The potash fertilizer business continued to acquire high-quality resources and deepen strategic cooperation, while actively implementing the national macro-control policy and coordinating with national reserve and release plans. Fertex, a service platform for industrial ecology, connected the transaction, bidding and logistics systems effectively and put these functions online. It obtained the business license at the end of the year and began to operate independently. The sales volume of differentiated products increased rapidly, and product improvement and upgrade were promoted through integration of research, production and sales, as a result, the profitability was improved continuously. Through the collaboration with the platform of Syngenta Group, value of the distribution channels for crop protection products became more prominent. Sinochem Fuling completed 78% of the overall progress in physical shape of its new plant following the promotion of its "move for better and stronger" relocating work and after tackling the difficulties arisen amid the pandemic, laying a solid foundation for the production and operation to be commenced next year.

Financial Performance

For the year ended 31 December 2021, the Group's revenue amounted to RMB22,641 million, up by 5.89% over the corresponding period in 2020. Profit attributable to owners of the Company amounted to RMB867 million, increasing significantly by 34.63% over the corresponding period in 2020.

Research and Development

In 2021, the Group initiated a comprehensive upgrade of the research and development capabilities of crop nutrition products by constantly enhancing the scientific research strength of the Linyi R&D Center where breakthrough researches were conducted on underlying technologies for efficient utilization of nutrients and bioscience with the focus on key directions such as fertilizer application reduction and efficiency enhancement as well as soil health. The research and development system focused on "nutrient efficiency + soil health + biologics" was established, and at the same time, the integration mechanism of research, production and sales was fully implemented to further speed up the efficiency of transformation of research achievements. The production and sales volume to which the commercialization of research and development achievements gave birth for the whole year exceeded 1,000,000 tons for the first time, with the proportion of differentiated products such as bio-fertilizers and special fertilizers increasing significantly. The compound fertilizer named Lanlin-Guanwushuang, a differentiated product jointly developed with the crop protection business unit of Syngenta Group China, achieved the production and sales volume of nearly 30,000 tons by leveraging its outstanding performance in field. Youcuilu, the first in-house developed and produced botanical activator, was launched successfully. The second generation of basic fertilizers for efficiency improvement, such as Meilinmei and Linbao, were upgraded jointly with the Chinese Academy of Agricultural Sciences, demonstrating a significant effect of increasing yield.

In 2021, the Group made a new breakthrough in the construction of a research and development platform. The joint establishment of the "National Engineering Research and Development Center for Arable Land Protection" with the Chinese Academy of Agricultural Sciences was approved by the National Development and Reform Commission, signifying the Group's first qualification for being a national-level research and development platform. In the future, the Group will continue to focus on improving nutrient utilization, maintaining soil health and promoting high yield and quality of crops, with a view to developing and promoting new crop nutrition products through the mechanism of integrating research, production and sales.

Production and Manufacturing

In 2021, under the complex and everchanging economic environment, major subsidiaries of the Company, while focusing on safe and steady production, actively promoted production capacity upgrade and process optimization, with prominent results in cost reduction and efficiency improvement. Benefiting from flexible production facilities, the Group seized market opportunities and adjusted production and marketing strategies in a timely manner, which significantly improved the business performance.

Sinochem Fuling, a subsidiary of the Company, actively practicing the spirit of General Secretary Xi Jinping's instructions of "jointly focusing on great protection of environment and avoiding large-scale development" for the construction of the Yangtze River Economic Belt, accelerated the progress of 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 types of special fertilizers was being constructed in Baitao Industrial Park. As at the end of December 2021, the old plant area was completely dismantled, the leachate treatment station maintained normal operation and the sewage was discharged up to standard. The site levelling and main engineering construction in the main device area of the new factory were basically completed. The installation of mechanical equipment, electrical instruments, pipelines and cables was carried out. The cumulative investment in the project amounted to RMB1.695 billion and 78% of the overall progress in physical shape was completed.

In response to the unfavorable situation of rising coal price, increasing electricity price and the repeated local epidemic, Sinochem Changshan, a subsidiary of the Company, adopted active measures such as strengthening internal management and expanding sales channels, thereby achieving continuous improvement in performance. The effects of technological upgrading has been constantly realized, overcoming the adverse factor of rising costs and achieving stable production and high yield. It actively expanded its share of core customers to grasp the regional ammonia market while releasing new types of fertilizers to the market to enhance its market competitiveness. For the year, 197,500 tons of ammonia was produced, achieving a record high in sales revenue and total profits.

Despite facing numerous unfavorable factors such as rising raw material prices and surging ocean freight costs, Sinochem Yunlong, a subsidiary of the Company, fully utilized its phosphate mine resource while improving mining process of phosphate ore and continuously optimizing production processes and modifying technologies, strengthening lean management and reducing fuel and power costs to stabilize the production of MCP/DCP. It strictly implemented internal control management and timely adjusted operating strategies to strengthen the coordination of production and sales for increasing the output of high value-added products, thereby achieving brand premium. In the 2021, the production and sales of MCP/DCP reached 330,000 tons and 321,100 tons respectively.

Adhering to the core value of "In Science We Trust", Sinochem Yunlong was committed to "becoming a leading global production expert of high phosphorous MCP/DCP and creating a leading green brand in animal nutrition". Following the Group's strategic development plan, it established a flexible manufacturing platform for animal and plant nutritional fine phosphate by leveraging its advantage of possessing unique phosphorus resources. Meanwhile, it developed differentiated and customized high phosphorus MCP/DCP products based on customer needs to further enhance technical service capabilities. Through technological innovation and technology introduction, it accelerated the advancement of 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, enhancing the comprehensive utilization rate of phosphogypsum and creating green plants, contributable to the country for carbon neutrality and to the Group for green and sustainable development. In 2021, Sinochem Yunlong was certified as a national high-tech enterprise and accredited as a green factory at provincial level in Yunnan Province and state level in China respectively.

Basic Fertilizers Operations

In 2021, amid general tight supply of nitrogen, phosphorus and potassium products, the Group actively leveraged its advantages and strengths to continuously promote strategic procurement and consolidate relationship with its core suppliers for securing stable supply of quality product resources. The Group sustained the supply of basic fertilizer raw materials to its customers and satisfied the demand of industrial and agricultural production. It strengthened downstream channel development to thoroughly promote differentiated basic fertilizer products as well as strengthened its technical services and capability in satisfying customer demand. The Group also continued to promote innovation and transformation to enhance operating performance. Fertex, the platform with an increasing number of registered users, logistics and transportation volume and platform transactions, had all of its service functions constantly improved and began to operate independently. The service model for green planting was successfully piloted and the business model kept iterating.

Potash Fertilizer Operations

In 2021, sales volume of potash fertilizers was 1.69 million tons. The Group continued to consolidate strategic cooperation with domestic and overseas suppliers to expand supply channels for product resources, with an aim to sustain a relatively low price of potash fertilizers around the world and acquire quality resources on an ongoing basis to fully guarantee domestic supply of potash fertilizers that meets customer demand in the face of tight supply of product resources. It strengthened information analysis and research ability to improve the scientific decision-making mechanism. Also, the Group continuously strengthened its core customer system in industrial potassium by improving professional marketing services and ensuring the needs of core customers. Under such efforts, the Group continuously enhanced its market position and industry influence. In addition, the Group deepened the channel marketing of agricultural potash by promoting the development of streamlined and integrated offline channels and digitalized online marketing channels The Group actively enriched its product range, while continuously promoting the band construction of its own agricultural potash fertilizer “Fenghexiang”. Through a variety of efforts, the Group continuously expanded its agricultural channel coverage and market share.

Nitrogen Fertilizer Operations

In 2021, sales volume of nitrogen fertilizers was 2.87 million tons. In order to improve profitability, the Group increased its efforts in adjusting product structure by constantly reducing the proportion of low margin nitrogen fertilizer business. The percentage of sales volume of differentiated nitrogen fertilizers grew steadily by 18% over the corresponding period in 2020. In face of the significant fluctuations in the urea market, the Group reduced operating risks by improving turnover ratio and strictly controlling the size of inventory subject to exposure. The Group also continued to strengthen its strategic procurement and leveraged its advantage of centralized procurement to enhance the ability of steady supply. It constantly improved its service standard for core customers and increased the proportion of sales to industrial customers while at the same time devoting more efforts to develop the agricultural market. In terms of product research and development, the Group continued to develop environmentally friendly products with high growth, and created a multi-standard product range to bring values to customers in a steady manner. The Group undertook the national task of fertilizer reserve, and actively used urea futures to hedge the downside price risk of long-term contracts. It also contributed high-quality supplies for the spring market, escorting the country’s food security.

Phosphate Fertilizer Operations

In 2021, sales volume of phosphate fertilizers was 1.94 million tons. Under the circumstance that the export prices were much higher than the domestic prices due to the strong international demand, the Group’s advantage of strategic procurement was prominent, which effectively ensured the stable supply of for its core customers and further secured its market share. The Group carried out value scheduling in phosphate fertilizer operations and provided comprehensive solutions with the focus on the difficulties in demand of upstream and downstream customers. The Group achieved stable profit and improved customer value, further consolidating its position as a leading domestic distributor of phosphate fertilizers. The Group also made more efforts in promoting technology-based product with “fertilizer application reduction and efficiency improvement”. Its Meilinmei series of products, which effectively enhanced the utilization rate of phosphate fertilizers, not only saved upstream phosphate resource but also helped farmers to increase production, the sales of which maintained a rapid growth. The first VIP Customer Marketing Summit of Meilinmei received widespread attention from the industry and led the long-term development of efficiency-enhancing phosphate fertilizers in China.

Fertex Operations

The Group continued to promote the establishment of Fertex, an industrial chain service platform. As at the end of 2021, Fertex had 350,000 registered users and record a rapid growth in online transaction volume and online payment amount, with its bidding function attaining widespread recognition from the industry. As the smart supply chain system was gradually optimized, Fertex commenced independent operation upon the introduction of strategic investment at the end of 2021. Fertex is dedicated to gathering digital technology to serve the industry, and ultimately provide sustainable and optimized solutions for the distribution of agricultural materials in China.

Distribution Operations

The Group continued to deeply promote the DTS channel expansion strategy. While digging traditional distributors and retail channels, the Group kept focusing on the attraction of large growers. The diversified channel mode contributed to the steady operation and rapid development of business. It deepened its distribution channels to strengthen terminal network coverage and promoted its strategic retail store upgrade plan to facilitate the transformation and development of core distributors. As for technical marketing channels, with the focus on core crops, the Group devoted more efforts in marketing differentiated products and new types of fertilizers by providing advanced technical planting solutions. The Group also packaged crop nutrition products supplemented with crop protection products, resulting in rapid improvement of synergistic effect with the members of Syngenta Group. As for direct sales channels, with the focus on large-scale planters and commercial planting enterprises, the Group integrated resources in the industry chain and provided one-to-one customized products and technical services, resulting in the continuous growth in service area. The Group also strengthened cooperation with special channels and established stable strategic alliances with partners such as PetroChina and China Post.

Compound Fertilizer Operations

In 2021, sales volume of compound fertilizers was 2.1 million tons, of which 0.90 million tons were contributed by differentiated products, representing an increase of 41% over the corresponding period in 2020. The Group accelerated the restructure of its compound fertilizer products and enhanced its product competitiveness by promoting the commercialization of its in-house research achievement and introducing external technologies. The Group focused on multi-technology integrated products that tackle difficulties in planting and increase yield while reducing fertilizer application. Through biotechnology empowerment and the combination of organic and inorganic methods, the Group accelerated the development and operation of new products that facilitated the improvement of arable land quality, which is consistent with the national strategy, and provided efficient crop nutrition solutions for farmers with high indices of continuous cropping and multiple cropping. At the same time, the Group continued to improve its technical services and marketing capability focusing on creating high-end cash crop products. The Group's high-end product management has made good progress.

Special Fertilizer Operations

In 2021, sales volume of new types of fertilizers was 100,000 tons. With the focus on crop nutrition and planter needs, the Group continued to develop and promote new types of fertilizers and application solutions of product combinations. In order to reduce fertilizer application while increasing yield and improving quality of field crops, and in response to the need for enhancing efficiency of large-scale farming, the Group continued to launch bio-stimulant products for root application and foliar spraying, which greatly enhanced crop stress resistance and fertilizer absorption efficiency, so that planters could achieve the goal of increasing yield and income. Based on the Company's goal of green and sustainable agricultural development, more efforts were devoted in the research and development of new types of fertilizers and production capacity enhancement, forming a more complete system integrating research, production and sales and a production capacity layout. The Group continuously invested in fertigation business and actively promoted remote communication and remote control technologies. The Group built up the capacity to design and construct various agricultural forms such as high-standard farmland, greenhouse and landscape agriculture. It also took the lead to compile the "Technical General Principles of Smart Fertigation System in Facility Horticulture", providing benchmarking standards for the development of the industry.

Synergy from Crop Protection Business

In 2021, the Group's synergistic effect with the platform of Syngenta Group was further enhanced. Its crop protection business achieved continuous growth in sales volume and profit margin for the third consecutive year, with sales revenue of RMB420 million in 2021, representing a significant increase of 33% over the corresponding period in 2020. In particular, the self-operating sales of products through the collaboration with Syngenta Group accounted for 79%. By constantly incorporating advantageous products from Syngenta Group while leveraging the advantages of distribution channels and the characteristics of the team, the Group gradually introduced promotional products in 2021 while focusing on the development of product layout for different channels by promoting product combinations with packages and solutions.

Technical Services and Digital Innovation

The Group continued to promote free soil testing services, technical guidance for field activities, technical seminars, and the protection of rights and anti-counterfeiting, and carried out more than 50,000 activities in relation to comprehensive technical services. By combining soil improvement with fertilizer application, the Group explored new modes of scientific fertilizer application which improved the soil environment reasonably and reduced the amount of pesticide and fertilizer application. It also strengthened its digital marketing capabilities by empowering distributors to enhance their online marketing capabilities. Sinochem Fertilizer launched its "Nong Xiao Hui", a tool for channel digitization, with 5,500 authorized online retail stores having been launched in 13 pilot provinces, including Hebei, Jiangsu, Guangdong and Hainan. With the online sharing of technological knowledge by planters through live broadcast, short video, graphic and text, an increasing number of retail stores and planters were attracted to register the application. Besides, "Enjoying Harvest Together", an online campaign with the theme of benefiting farmers, was carried out, during which farmers were provided with real-time information about changes in planting trends, comprehensive crop technology solutions and instant service supported by technical experts with the support from online platforms such as Nong Da Quan Service Channel, Nong Da Quan Video Channel, Farmers Benefiting Live Studio with Science and Technological Knowledge and 400 Customer Service. As at the end of the year, the short videos were circulated and played by more than 10 million person-times.

The Group deeply understood the significance of modern agricultural transformation and development in China, and actively implemented the spirit of the Central Economic Work Conference to solve arable land protection issues. The Group attached great importance to the technical research and commercialization of microbial agents and organic products that regulate soil activity. The strategic equity investment in Beijing Aerospace Hengfeng Technology Corp., Ltd, which possess the research and development capability in the core technology of microbial agents, helped speed up the Group's research and development of biological fertilizer products. The Group vigorously carried out research in green agricultural planting techniques and actively promoted technological achievements such as deep side fertilization, fertigation and soil improvement, as well as 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 them at good prices, so as to implement the original aspiration and mission of the national rural revitalization strategy.

Internal Control and Management

The Group's internal control and risk management system was established according to the "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission in the United States, the "Risk Management – Guidelines" published by the International Organization for Standardization and the "Internal Control and Risk Management – A Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants, and following the "Central Enterprises Comprehensive Risk Management Guidelines", the "Basic Rules of Corporate Internal Control" and its referencing guidelines, and the "Central Enterprises Compliance Management Guidelines" of China, as well as in compliance with the national requirements on strengthening internal control system establishment and supervision in recent years. Under the principle of "high priority, frequent monitoring and diversion as the main solution" and with risk management orientation, the Group paid attention to improving risk and internal control management mechanism in line with strategic development and integrated with business management. Through risk identification, assessment and responsive measures, the Group implemented a whole-process risk management, alert and response measures on material risks to serve its value creation.

In 2021, the Group incorporated the management philosophy of Syngenta Group China, and strived to build agile, effective and open functional headquarters to further deepen the establishment of internal risk control system to actively empower, support and safeguard its business development: During the year, the Company's corporate structure was substantially optimized, with internal control and management focusing on inheriting and learning from advanced management experience Guided by "efficient streamlining, clear accountability and controlled authority" the Group identified risks, improved systems, strengthened internal control, carried out differentiated risks monitoring and enhanced reward and punishment. The Group also actively promoted risk culture through various means, such as systematic monthly thematic meetings of finance and risk responsible personnel, quarterly financial internal control self-inspection, half-yearly work report and daily WeChat promotion of risk management experience, in order to raise risk awareness and encouraged the management at all levels to build a safe operating environment in a scientific manner. The Group actively created a benign internal risk control atmosphere for "steady operation and healthy development". In 2021, 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 2021, the Group strengthened the internal control of its overseas business units and incorporated their operations into its daily financial performance.

In 2021, the internal control and management of the Group met the compliance requirements of domestic and overseas regulatory agencies, ensuring the Group's compliance operation and steady business development. The internal control and management provided a reasonable guarantee for adapting to changes in the market and operating environment, supporting the strategic transformation of the Group, safeguarding shareholders' interests and asset safety of the Group, and improving business quality and strategy implementation.

Social Responsibility

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 planters and new planting entities to guide them to fertilize scientifically. By integrating high-quality resources and cooperating with international advanced agricultural input enterprises, the Group realized complementary advantages and provided farmers with comprehensive training service such as crop nutrition, crop protection and planting techniques. While gradually developing comprehensive crop cultivation solutions across the country to help farmers reduce planting costs, improve yield and quality, and thus increase farmers' income, the Group continued to focus on improving nutrient utilization, maintaining soil health and promoting high yield and quality of crops, with a view to developing and promoting new crop nutrition products through the mechanism of integrating research, production and sales, thereby helping farmers to increase yield and enhance efficiency. In order to promote its Green Farming Service (referred to as the "GFS"), the Group constantly offered new professional farmers its innovative model of providing products + customized services, with an aim to promote the fertilizer reduction while increasing yield and the modernized green agriculture development in China based on the core philosophy of "scientific fertilizer application, fertilizer and waste reduction, as well as increase in yield and efficiency enhancement".

The Group has taken various measures to ensure supply and price stability, in line with the implementation of national policies and macro-control, thereby fulfilling its role as a State-owned enterprise. In July 2021, the Group, as the national fertilizer reserve enterprise for disaster relief, implemented the spirit of the Notice of the National Development and Reform Commission by delivering 1,000 tons of urea and 1,000 tons of NPK compound fertilizers to five counties in Henan Province, including Yuanyang and Yanjin, in accordance with the "Management Requirements of the National Fertilizer Commercial Reserve", based on the needs for agricultural production resumption after the disaster in Henan Province, with an aim to support and secure the post-disaster production, thereby demonstrating its fulfillment of corporate responsibility. Subject to safe production, the Group made every effort to ensure that its internal production capacity was fully utilized such that its products were released to the domestic market in a timely manner. By leveraging its advantages in network, capital, warehousing and logistics, the Group joined hands with major upstream suppliers to release more product resources to the domestic market to ensure the supply of product resources to the market. With the priority given to meeting the demand for agricultural fertilizers, the Group guided users in different regions to store fertilizers during different peak periods in line with their respective agricultural seasons and according to their needs. In 2021, the Group continued to promote free soil testing services, technical guidance for field activities, online and offline technical seminars, and the protection of rights and anti-counterfeiting initiatives, providing farmers with fertilizer and pesticide solutions covering the whole cycle of crops. The Group continued to organize various activities in relation to comprehensive technical services by providing online and offline planting technique trainings, organizing demonstration seminars and issuing technical solution manuals, which benefited millions of farmers.

The Group attached great importance to the implementation of the policies and instructions of relevant ministries and commissions on solving issues in relation to arable land. It was continuously optimizing its "soil health+ strategy" and establishing ecological cooperation with relevant state departments, research institutes and leading enterprises. With the joint establishment of the "National Engineering Research and Development Center for Arable Land Protection" being formally approved by the National Development and Reform Commission, the Group focused on solving issues in relation to soil health, constantly making efforts to realize the vision of "making 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, soil degradation and pollution from non-point agricultural sources, with an aim to satisfy the needs for reduction of fertilizer application, increase in yield, quality improvement, efficiency enhancement and sustainable development.

With an aim to realize product innovation to meet modern agricultural development needs, the Group established a research and development center in Linyi for the research and development of new types of innovative green fertilizer products with high efficiency. It also joined hands with Chinese Academy of Agricultural Sciences and Belarusian Potash Company (BPC) to develop multi-nutrient large granular potash fertilizer products with sulphur and zinc, as well as successively completed and put into operation of a high-end water-soluble fertilizer facility and a microbial fertilizer facility in the Northeast China, Central China and Xinjiang region. The Company's new products, including Weidefeng, a potash fertilizer, Meilinmei, a phosphate fertilizer, Granular Fertilizer GHM for Paddy Rice Regrowth and Tillering, and UHA, a bio-stimulant for foliar of cereal crops, were successively commenced production and launched to the market. The introduction of a large number of new types of products with high efficiency into the market further improved the efficiency of fertilizer utilization and effectively reduced land pollution, playing a positive and leading role for the development of the fertilizer industry.

The Group placed emphasis on the integration of internal and external resources in the industry to promote soil health and actively disseminate the cultural concept of soil health to the community. The "Technical General Principles of Smart Fertigation System in Facility Horticulture" setting out group standards, of which the Group leads the compilation, was published. It presents the Group's solutions for fertigation in facility horticultural crops, provided to various industries such as crop nutrition, agricultural equipment and Internet of things, having been widely recognized by the community. It has further promoted the formation of smart fertigation ecosystem in China. The result of research of "Key Technology for Efficient Utilization of Nutrient Resources of Major Food Crops" conducted by the Institute of Agricultural Resources and Regional Planning of Chinese Academy of Agricultural Sciences, in which Mr. FENG Mingwei, an Executive Director of the Company, led the team to participate and won the "Second Prize of National Science and Technology Advancement in 2020" awarded by the State Council of the People's Republic of China. The research laid a solid foundation for China's agriculture to realize scientific fertilization, with usage reduction and efficiency improvement. The Group's concept of scientism and sustainable development has been deeply implemented.

Outlook

In 2022, the global economy will continue to be affected by the COVID-19 pandemic and its uncertainties will be increased due to the impacts of the expected elevating inflation. China's economy will continue to remain resilient, however, its agricultural transformation is still under pressure. Problems such as defects in agricultural quality and safety, unbalanced structure of agricultural production, unparalleled development of agricultural regions and low agricultural efficiency still exist, and the imbalance between supply and demand will also bring huge challenges. The focus of work in relation to "agriculture, rural areas and farmers" in China will shift to comprehensive rural revitalization. China will continue to devote efforts into the development of modern agriculture with importance being attached to the protection of environmental and agricultural resources. China will continuously develop ecological and circular agriculture, promote of advanced agricultural technology as well as establish agricultural facilities. Measures such as implementing structural reforms on the supply side of agriculture, developing large-scale operation to conserve arable land as well as increasing yield and ensuring the supply of agriculture-related products will also continue to be effectively adopted.

Being a leading technology-based marketing and service provider of crop nutrition in China, the Group will adapt to market changes and meet market demand by further developing modern agriculture and strengthening the supply of quality fertilizers and agricultural products. On the basis of steady development of basic fertilizers, the Group will enhance the research and development of scientifically balanced fertilizer application and products that can reduce fertilizer application and enhance efficiency. The Group will also diversify its operations and services, continue to enhance the synergistic effect with Syngenta Group for the distribution of crop protection products, and increase the use of online tools to facilitate its communication with farmers and expand its service coverage. In this way, the Group continuously promotes agricultural knowledge, popularizes scientific fertilizer application and empowers farmers to implement scientific planting to help increase yield and income. The Group will continue to promote the innovative operating model of combining agriculture and the Internet to improve every part of the agricultural industry chain, including research and development, production and marketing.

The year of 2022 will be full of opportunities and challenges. Under the framework of Syngenta Group China, the Group will vigorously promote the development of modern agriculture by taking technology and innovation as the dual drivers. Also, the Group will optimize its farmers-oriented services by devoting more efforts into the research and development as well as promotion of scientifically balanced fertilizer application and products that can reduce fertilizer application and enhance efficiency. Meanwhile, the Group will continuously promote agricultural knowledge, popularize scientific fertilizer application and help farmers to increase yield and income. By serving Chinese farmers and ensuring the supply of quality agricultural products, the Group will make continuous efforts in promoting the agricultural transformation and developing sustainable and healthy agricultural industry in China.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended 31 December 2021, the Group recorded sales volume of 10.40 million tons, down by 14.54% over the year ended 31 December 2020. And the Group's revenue was RMB22,641 million, up by 5.89% over the year ended 31 December 2020.

For the year ended 31 December 2021, the Group attained gross profit of RMB1,960 million, down by 1.36% over the year ended 31 December 2020. The significant decrease in gross profit primarily resulted from the onerous contracts of RMB231 million recognized by the Group due to the rising purchase price of potash fertilizers. After deducting the aforesaid effect, the actual operating gross profit of the Group increased by 10.27% over the corresponding period in 2020. Profit attributable to owners of the Company was RMB867 million, up by 34.63% over the year ended 31 December 2020.

I. OPERATION SCALE

(I) Sales volume

For the year ended 31 December 2021, the Group recorded sales volume of 10.40 million tons, down by 14.54% over the year ended 31 December 2020. In 2021, developed countries persisted in adopting accommodative monetary and fiscal stimulus policies, which strengthened global inflation expectations, and commodity prices continued to increase. The Group adhered to its direction of strategic development, actively prevented market risks, and constantly promote professional and lean operation. It also implemented differentiated strategies and actively integrated the synergistic advantages with the Syngenta Group. The Group improved its product competitiveness by focusing on the establishment of a crop-oriented product system.

Guided by its strategic direction, the Group reduced its low-margin business by 1.23 million tons in 2021, including 180,000 tons of sulfur, 870,000 tons of universal type of nitrogen fertilizers, and 180,000 tons of universal type of phosphate fertilizers. The Group achieved total sales volume of special fertilizers and various differentiated products of 1.39 million tons, up by 32% over the corresponding period in 2020. Thereinto, sales volume of special fertilizers was 100,000 tons, up by 11% over the corresponding period in 2020. Sales volume of differentiated compound fertilizers was 900,000 tons, up by 41% over the corresponding period in 2020. Sales volume of differentiated nitrogen fertilizers was 260,000 tons, up by 18% year on year, and sales volume of new type of phosphate fertilizers was 130,000 tons, up by 45% over the corresponding period in 2020.

(II) Revenue

For the year ended 31 December 2021, the Group recorded revenue of RMB22,641 million, up by RMB1,260 million or 5.89% compared with the corresponding period in 2020, mainly resulting from an increase in average selling price.

Table 1:

	For the year ended 31 December			
	2021		2020	
	Revenue *RMB'000*	**As percentage of total revenue**	Revenue *RMB'000*	As percentage of total revenue
Potash fertilizers	**3,416,235**	**15.09%**	3,868,006	18.09%
Nitrogen fertilizers	**4,908,801**	**21.68%**	4,981,386	23.30%
Phosphate fertilizers	**5,026,005**	**22.20%**	4,116,953	19.26%
Compound fertilizers	**5,588,956**	**24.68%**	5,703,913	26.68%
Monocalcium/Dicalcium phosphate (MCP/DCP)	**968,164**	**4.28%**	826,843	3.87%
Special fertilizers	**491,972**	**2.17%**	413,785	1.93%
Others	**2,241,263**	**9.90%**	1,469,854	6.87%
Total	**22,641,396**	**100.00%**	21,380,740	100.00%

(III) Revenue and results by segment

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

Below sets forth an analysis of the Group's revenue and results by operating segment for the year ended 31 December 2021 and the year ended 31 December 2020.

Table 2:

	For the year ended 31 December 2021				
	Basic Fertilizers *RMB'000*	Distribution *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue					
External revenue	14,127,254	6,633,392	1,880,750	–	22,641,396
Internal revenue	980,688	8,762	249,786	(1,239,236)	–
Segment revenue	15,107,942	6,642,154	2,130,536	(1,239,236)	22,641,396
Segment profit	600,061	166,390	276,991	–	1,043,442

	For the year ended 31 December 2020				
	Basic Fertilizers *RMB'000*	Distribution *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue					
External revenue	13,350,776	6,506,377	1,523,587	–	21,380,740
Internal revenue	994,905	8,855	382,113	(1,385,873)	–
Segment revenue	14,345,681	6,515,232	1,905,700	(1,385,873)	21,380,740
Segment profit	510,218	150,033	225,850	–	886,101

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

For the year ended 31 December 2021, the external revenue of the Group increased by RMB1,260 million or 5.89% over the year ended 31 December 2020, mainly resulted from an increase in average selling price of fertilizer products.

For the year ended 31 December 2021, the segment profit of the Group was RMB1,043 million. In particular, the Basic Fertilizers Segment reinforced strategic partnership with domestic and overseas core suppliers to constantly promote strategic procurement, and continued to innovate business model to accelerate business transformation. For the year ended 31 December 2021, the Basic Fertilizers Segment made a profit of RMB600 million, up by 17.65% over the corresponding period in 2020. The Distribution Segment insisted on optimizing channel structure and product mix, with the percentage of high margin products and high net worth customers increasing year by year. The Distribution Segment made a profit of RMB166 million in 2021, up by 10.90% over the corresponding period in 2020. Major production subsidiaries of the Production Segment continued to strengthen basic work and adjusted product structure in a timely manner according to market demand as well as strengthened lean production management. In 2021, the Production Segment made a profit of RMB277 million, up by 22.64% over the corresponding period in 2020.

II. PROFIT

(I) Share of results of associates and joint ventures

Share of results of associates: For the year ended 31 December 2021, the Group's share of results of associates was a profit of RMB13 million, representing a decrease of RMB27 million over the year ended 31 December 2020, which was mainly due 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 amortization of the value appreciation of asset appraisal recognized at the time when Yangmei Pingyuan accepted capital increase and expanded its equity capital in 2012. As the result of amortization, the share of results of associates reduced by RMB45 million. Excluding such factor, the Group's share of results of Yangmei Pingyuan would be a profit of RMB19 million. In 2021, the Group's share of results of other associates such as Beijing Aerospace Hengfeng Technology Corp., Ltd., was a profit of RMB39 million, collectively.

Share of results of joint ventures: For the year ended 31 December 2021, the Group's share of results of joint ventures was a profit of RMB184 million, representing a significant increase of 360% from RMB40 million for the year ended 31 December 2020, which was mainly attributable to a significant improvement in the results of Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. ("Three Circles-Sinochem") for the period, benefited from a sharp increase in major product prices. The Group's share of results of Three Circles-Sinochem was a profit of RMB158 million, up by RMB128 million over the corresponding period in 2020. The Group's share of results of Gansu Wengfu Chemical Co., Ltd. was a profit of RMB26 million, up by RMB16 million over the corresponding period in 2020.

(II) Income tax

For the year ended 31 December 2021, the Group's income tax expense was RMB20 million, of which current income tax expense was RMB53 million and deferred income tax expense was RMB-33 million. In 2021, the taxable profit of subsidiaries of the Group increased over the previous year due to an improvement of business performance. As a result, current income tax expense increased by 65.63% compared with the corresponding period in 2020.

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

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

For the year ended 31 December 2021, profit attributable to owners of the Company was RMB867 million, up by 34.63% compared with a profit of RMB644 million for the year ended 31 December 2020, representing a significant improvement in business performance. Faced with fierce market competition and transformation pressure, the Group adhered to its strategic development direction and took various operational measures to constantly implement the principle of enhancing efficiency while reducing costs. At the same time, it carried out a series of technical reform as well as scientific and technological innovations to constantly deepened its business transformation.

For the year ended 31 December 2021, the Group's net profit margin calculated by dividing profit attributable to owners of the Company by revenue, was 3.83%, up by 0.82 percentage point over the corresponding period in 2020.

III. EXPENSES

For the year ended 31 December 2021, the three categories of expenses in aggregate amounted to RMB1,309 million, representing a decrease of RMB142 million or 9.79% from RMB1,451 million for the year ended 31 December 2020. In particular:

Selling and distribution expenses: For the year ended 31 December 2021, selling and distribution expenses amounted to RMB583 million, representing a decrease of RMB243 million or 29.42% from RMB826 million for the year ended 31 December 2020. The significant decrease in relevant expenses as compared with last year was mainly due to the decreased sales volume and the reduced transition procedures as a result of the increased proportion of sales in which the customers picked up products by themselves in the current year.

Administrative expenses: For the year ended 31 December 2021, administrative expenses amounted to RMB709 million, representing an increase of RMB121 million or 20.58% from RMB588 million for the year ended 31 December 2020. This was mainly due to the saving of social security expenses resulted from preferential state policies during the COVID-19 pandemic period in the corresponding period in 2020, and the increase in administrative labour cost and R&D expenses for the year ended 31 December 2021.

Finance costs: For the year ended 31 December 2021, finance costs amounted to RMB17 million, representing a decrease of RMB20 million or 54.05% from RMB37 million for the year ended 31 December 2020. This was mainly attributable to the decrease in the average loan scale and costs interest rate as a result of the Group's lean management of funds.

IV. OTHER INCOME AND GAINS

Other income and gains mainly consisted of interest income, income from sales of scrapped materials and raw materials, and government grants. For the year ended 31 December 2021, the Group's other income and gains amounted to RMB237 million, representing an increase of RMB24 million or 11.27% from RMB213 million for the year ended 31 December 2020, mainly attributable to the gains on foreign exchange and gains on disposal of long-term assets.

V. OTHER EXPENSES AND LOSSES

Other expenses and losses mainly consisted of losses from assets impairment, disposal of long-term assets as well as losses incurred from raw materials and scrapped materials. For the year ended 31 December 2021, the Group's other expenses and losses amounted to RMB212 million, representing an increase of RMB55 million or 35.03% from RMB157 million for the year ended 31 December 2020. Such increase was mainly due to the provision for impairment of long-term assets of the Dawan phosphate mine owned by Yunnan Julong Mining Development Co., Ltd.

VI. INVENTORIES

As at 31 December 2021, the Group's balance of inventories amounted to RMB4,802 million, representing a decrease of RMB521 million or 9.79% from RMB5,323 million as at 31 December 2020. As the Group continued to strengthen its effective measures, such as the coordination between procurement and marketing, inventory scale decreased over the corresponding period in 2020. The inventory turnover days in 2021 was 88 days(Note), 11 days less than that in 2020.

Note: Calculated based on average balance of inventories as at the end of the reporting period divided by cost of goods sold, and multiplied by 360 days.

VII. TRADE AND BILLS RECEIVABLES

As at 31 December 2021, the Group's balance of trade and bills receivables amounted to RMB727 million, representing an increase of RMB155 million or 27.10% from RMB572 million as at 31 December 2020, which was mainly attributable to an increase in the balance of bills receivables.

The turnover days of trade and bills receivables of the Group were 10 days(Note) in 2021, 2 days slower than 8 days in 2020. The Group actively prevented credit risk, and strengthened the review of credit approval and qualifications of the acceptance banks.

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

VIII. LOANS TO RELATED PARTIES

As at 31 December 2021, the Group's loans to related parties amounted to RMB620 million, all of which were the funds provided by Sinochem Fertilizer, a subsidiary of the Group, to Sinochem Agriculture for its daily working capital and purchase of fixed assets. For details of loans to related parties, please refer to the section headed "Connected Transactions" of the Directors' Report.

IX. INTERESTS IN ASSOCIATES

As at 31 December 2021, the Group's balance of interests in associates amounted to RMB631 million, representing an increase of RMB12 million or 1.94% from RMB619 million as at 31 December 2020, which was mainly attributable to the Group's total share of earnings for the current year of associates of RMB13 million accounted for under the equity method.

X. INTERESTS IN JOINT VENTURES

As at 31 December 2021, the Group's balance of interests in joint ventures amounted RMB654 million, representing an increase of RMB259 million or 65.57% from RMB395 million as at 31 December 2020. In 2021, the Group made capital contribution of RMB75 million for the acquisition of 45% equity interests in Yitong Digital Technology Co., LTD. The Group's total share of earnings for the current year of joint ventures accounted for under the equity method amounted to RMB184 million.

XI. INVESTMENTS IN OTHER EQUITY INSTRUMENTS

As at 31 December 2021, the Group's balance of investments in other equity instruments amounted to RMB311 million, which basically remained flat as compared with RMB312 million as at 31 December 2020.

XII. OTHER NON-CURRENT ASSETS

As at 31 December 2021, the Group's total non-current assets amounted to RMB30 million, representing a decrease of RMB713 million from RMB743 million as at 31 December 2020, which was mainly due to the fact that Sinochem Fuling, a subsidiary of the Company, would complete its relocation for the sake of environmental protection within one year, resulting in the transfer of the related assets into other current assets accordingly.

XIII. INTEREST-BEARING LIABILITIES

As at 31 December 2021, the Group's total interest-bearing liabilities amounted to RMB1,094 million, representing a decrease of RMB673 million or 38.09% from RMB1,767 million as at 31 December 2020, which was mainly due to the decrease in the balance of super short-term commercial paper issued by Sinochem Fertilizer, a subsidiary of the Group. For details of the interest-bearing liabilities. please refer to the section headed "XVI. LIQUIDITY AND FINANCIAL RESOURCES".

XIV. TRADE AND BILLS PAYABLES

As at 31 December 2021, the Group's balance of trade and bills payables amounted to RMB2,412 million, which basically remained flat as compared with RMB2,426 million as at 31 December 2020.

XV. OTHER FINANCIAL INDICATORS

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

For the year ended 31 December 2021, the Group's basic earnings per share was RMB0.1234 and return on equity (ROE) was 10.35%, both of which showed a significant increase over the previous year.

Table 3:

	2021	2020
Profitability		
Earnings per share (RMB) *(Note 1)*	**0.1234**	0.0917
Return on equity *(Note 2)*	**10.35%**	8.18%

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

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

As at 31 December 2021, the Group's current ratio was 1.42, and its debt-to-equity ratio was 12.17%. The Group enjoyed relatively high banking facilities and smooth financing channels, and its financial structure remained stable and robust.

Table 4:

	As at 31 December	
	2021	2020
Solvency		
Current ratio *(Note 1)*	**1.42**	1.09
Debt-to-equity ratio *(Note 2)*	**12.17%**	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 total interest-bearing liabilities divided by total equity as at the end of the reporting period.

XVI. LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2021, the Group's cash and cash equivalents amounted to RMB1,314 million, which was mainly denominated in RMB and US dollar.

Below sets forth the analysis of the Group's interest-bearing liabilities:

Table 5:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Short-term commercial paper	**–**	1,000,000
Bank loan	**1,041,215**	714,297
Lease liabilities	**52,526**	52,927
	1,093,741	1,767,224

Table 6:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Carrying amount of interest-bearing liabilities		
Within one year	**85,220**	1,754,821
More than one year	**1,008,521**	12,403
	1,093,741	1,767,224

Table 7:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Fixed-rate interest-bearing liabilities	**52,526**	1,767,224
Floating-rate interest-bearing liabilities	**1,041,215**	–
	1,093,741	1,767,224

As at 31 December 2021, the Group had banking facilities equivalent to RMB23,446 million, including US$781 million and RMB18,350 million, respectively. The unutilized banking facilities amounted to RMB22,205 million, including US$727 million and RMB17,464 million, respectively.

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

XVII. OPERATIONAL AND FINANCIAL RISKS

The Group's major operational risks include the repeated outbreaks of COVID-19 pandemic, gradually tightened external environment, occasional economic and trade frictions, and intensified local protectionism. Due to the monetary policies of quantitative easing all over the world, the producer price index (PPI) of industrial products has risen sharply year-on-year which leads to a significant increase in the cost of enterprises. In addition, market competition in the fertilizer industry has been intensified in the backdrop of fertilizer application reduction and efficiency improvement, energy conservation and environmental protection as well as acceleration of industry integration. Under such circumstances, the Group actively responds to the great changes in the domestic and overseas environment, and the current operating performance has significantly improved as compared to the corresponding period in 2020, enhancing the business confidence. On the one hand, the basic business continuously strengthens the acquisition of resources and focuses on deepening channels. By strengthening coordination with members of the Syngenta Group, it continuously enhances brand status and profitability, and consolidates its overall market competitiveness. On the other hand, the Group actively promotes strategic transformation and resource integration, realizes coordination among research, production and sales, and focuses on differentiated products. It also continuously adjusts and optimizes the industrial structure, promotes and enhances innovative businesses such as technical services and Fertex, so as to explore new profit growth opportunities, and enhance the potential for business growth. In these ways, the adverse impact of operational risks on the financial performance of the Group will be reduced.

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

Environmental and social risks

With the increasingly stringent requirements on environmental protection management and gradually intensive efforts in pollution control from the government, enterprises have been required to attach great importance to ecological civilization and environmental protection. The subsidiaries of the Group that engaged in resource exploitation and fertilizer production, strictly comply with laws and regulations such as the Environmental Protection Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China as well as the Water Pollution Prevention and Control Law of the People's Republic of China. Through stringent investigation and management on sources of corporate environmental risks, the subsidiaries of the Group implement measures to prevent and control pollution of air, surface water, underground water and soil. In addition, they formulate emergency plans for sudden environmental pollution incidents, equip themselves with necessary emergency disposal materials, seriously perform emergency response exercises, and promptly launch emergency plans to limit production during heavy pollution weather.

Cyber risk and security

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

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

Risks associated with data fraud or theft

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

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

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

Market risk

Market risk includes currency risk, interest rate risk and other price risk. Currency risk represents the unfavorable change in exchange rates that may have an impact on the Group's financial results and cash flows. Interest rate risk represents the unfavorable change in interest rates that may lead to changes in the fair value of the Group's fixed-rate borrowings and other deposit. Other price risk represents the risk related to the value of the Group's equity investments, which mainly derived from investments in equity securities. Majority of the Group's assets, liabilities and transactions are denominated in RMB, US dollar and HK dollar. Due to the presence of a certain scale of import and export business of the Group, the exchange rate fluctuations have an impact on the import and export prices. The management of the Group has always taken prudent measures like foreign exchange forward to hedge exchange rate risk, and continued to monitor and control the above-mentioned risks so as to mitigate the potential adverse impact on the Group's financial performance.

Credit risk

The biggest credit risk of the Group is that the counterparties may fail to carry out their obligations with regard to the book value of all types of financial assets recognized and recorded in the consolidated statement of financial position on 31 December 2021. If there is a lack of credit risk management, bad debt losses of the Company, as a result of unrecoverable accounts receivable and unavailable inventory after advance payment for procurement, may influence its normal operation. The Group has adequate management procedures, response mechanisms and supervision measures in respect of granting credit line and credit period, collection of overdue accounts and other related aspects. Through credit evaluation, transaction management, process monitoring and disposal of overdue accounts for credit customers, the Group develops risk management strategies and measures to prevent and control the risk, allocates more credit resources to strategic and high-quality core customers and suppliers, and transfers bad debt risks by proper utilization of various risk protection measures, so as to ensure that the credit business was monitored and guaranteed. Meanwhile, the Group examines 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 occurs.

Liquidity risk

Liquidity risk may lead to inadequate capital to meet the demand of daily operations in a timely manner and repayment of debts at maturity.

In this regard, the management of the Group takes the following measures:

Regarding the management of liquidity risk, the Group strengthens position management of daily working capital, forecasts and strictly executes the fund plan to monitor and keep enough cash and cash equivalents. The Group attaches great importance to working capital turnover efficiency in purchasing, production, sales and other daily operations with the purpose of reducing capital occupation. In addition, the Group reasonably allocates short and long-term funding sources and constantly optimizes its capital structure to meet the demand of working capital and repayment of debts at maturity.

XVIII. CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no contingent liabilities.

XIX. CAPITAL COMMITMENT

Table 8:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Contracted but not provided for		
– Property, plant and equipment	**1,092,504**	1,108,545
Authorized but not contracted for		
– Property, plant and equipment	**896,365**	1,120,537
Total	**1,988,869**	2,229,082

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 of 31 December 2021, total expenditure of Sinochem Fuling on project with an annual production capacity of 200,000 tons of fine phosphates and supporting new-type special fertilizers, located in Baitao Industrial Park in Fuling, Chongqing, has accumulated to RMB1.695 billion, and the amount of its recycled production devices and equipment from old plants was RMB75 million. According to the relocation investment plan, the total investment of the project is RMB3.292 billion, and all required capital was raised by Sinochem Fuling.

XXI. HUMAN RESOURCES

As at 31 December 2021, the Group had about 4,499 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. For details of the remuneration policy of the Group, please refer to the Corporate Governance Report of this annual report on page 60.

DIRECTORS OF THE COMPANY

Mr. J. Erik FYRWALD – Non-executive Director and Chairman of the Board

Mr. J. Erik FYRWALD, aged 62, was appointed as a Non-executive Director and the Chairman of the Board of the Company in November 2020. Mr. Fyrwald received a bachelor of science degree in chemical engineering from the University of Delaware in 1981, and completed the advanced management program at Harvard Business School in 1998. Mr. Fyrwald has been serving as chief executive officer of Syngenta Group Co., Ltd. since 2020, and was previously chief executive officer of Syngenta AG from 2016 until it was consolidated into Syngenta Group. Prior to joining Syngenta AG, he served as president and chief executive officer of Univar Solutions Inc. (a company listed on the New York Stock Exchange (the "NYSE") under the ticker symbol: UNVR) from 2012 to 2016. He previously served as president and chairman of Ecolab Inc. (a company listed on the NYSE under the ticker symbol: ECL) from 2011 to 2012, and as president and chief executive officer of Nalco Company from 2008 to 2011. He held various positions in E.I. DuPont de Nemours and Company (a company listed on the NYSE under the ticker symbol: DD) from 1979 to 2008, including group vice president of its agriculture and nutrition division from 2003 to 2008. Mr. Fyrwald has been involved in the agriculture inputs industry for 17 years and has extensive experience in corporate management and leading corporate development.

Other than the directorship in the Company, Mr. Fyrwald has been serving as an independent director of Eli Lilly and Company (a company listed on the NYSE under the ticker symbol: LLY) since 2005, an independent director of Bunge Limited (a company listed on the NYSE under the ticker symbol: BG) since 2018, and a director and chairman of ADAMA Ltd. (a company listed on the Shenzhen Stock Exchange under the stock code: 000553) since April 2020. Mr. Fyrwald also serves on the board of directors of a number of non-profit organizations, including Syngenta Foundation, United Nations World Food Program Farm to Market Alliance, Swiss-American Chamber of Commerce and CropLife International.

Mr. QIN Hengde – Executive Director and Chief Executive Officer, and Chairman of Corporate Governance Committee

Mr. QIN Hengde, aged 51, was appointed as an Executive Director and Chief Executive Officer of the Company in December 2016, in charge of the Company's overall operation. Currently, he is also the Chairman of the Corporate Governance Committee of the Company. Mr. Qin graduated from the Economic Management Department of East China Institute of Technology majoring in accounting and obtained a degree of Bachelor of Science in engineering in 1991; graduated from Huazhong University of Science and Technology majoring in industrial engineering and obtained a master's degree in industrial engineering in 2002; and graduated from China Europe International Business School majoring in business administration and obtained a master's degree in business administration in 2011. From November 1991 to July 2004, Mr. Qin served in various positions as assistant to the director of the finance department, director of the finance department, and deputy chief accountant of Hubei Hongqi Cable Factory, chief accountant of SDIC Yuanyi Industry Co., Ltd., and deputy general manager of the investment management department of D'Long International Strategic Investment Co., Ltd. From July 2004 to December 2016, Mr. Qin served successively as the general manager of the business development department, financial controller, vice president, executive vice president and president of Sinochem International Corporation (a company listed on the Shanghai Stock Exchange, stock code: 600500); from November 2016 to January 2017, he was a director and the non-executive chairman of Halcyon Agri Corporation Ltd. (a company listed on the Singapore Stock Exchange); and from September 2008 to November 2016, he served successively as a director and non-executive chairman of GMG Global Ltd.; from December 2016 to April 2019, he was an executive director of China National Seed Group Co., Ltd., a subsidiary of Sinochem Group. Mr. Qin is a senior accountant, and has rich experience in strategy and investment, merger and acquisition management and financial management.

Other than the abovementioned positions in the Company, Mr. Qin is also a director of a subsidiary of the Company. Currently, he is also the chairman of the board of Win-all Hi-tech Seed Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300087), the chairman of the board of Jiangsu Yangnong Chemical Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600486), and the president of China Region of Syngenta Group. Mr. Qin was the director and the vice chairman of Qinghai Salt Lake Industry Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000792) from May 2017 to February 2021.

Mr. FENG Mingwei – Executive Director

Mr. FENG Mingwei, aged 59, was appointed as an Executive Director of the Company in February 2020. Currently, he is also a member of the Corporate Governance Committee of the Company. Mr. Feng graduated from Beijing University of Iron and Steel Technology in March 1987 majoring in automation, and obtained a postgraduate diploma in world economics from Renmin University of China in 1998. In 1984, Mr. Feng joined Sinochem Group, in which he had served various positions such as an accountant of the finance department, a representative of the representative office in Pakistan, the sales manager of the business department of SC Polymers Inc. and the deputy general manager of the plastic business department of Sinochem International Corporation. Mr. Feng joined Sinochem Fertilizer in December 2001, and successively held positions such as the deputy general manager of the import business department, the general manager of the first fertilizer department, the general manager of the potash fertilizer department and an assistant to the general manager of Sinochem Fertilizer. He also served as the deputy general manager of the Company from May 2007 to December 2019. Mr. Feng has been deeply involved in marketing and team building for more than 30 years. He has a profound understanding of the supply and demand of fertilizers in both domestic and international markets, as well as the market development trend, possesses strong capability and extensive practical experience in strategic procurement, distribution service, logistics and financial support. Mr. Feng is concurrently the vice chairman of the ninth session of the Chemical Fertilizer Professional Committee of the Chinese Society of Plant Nutrition and Fertilizer Science and the executive vice president of Potash Branch of China Inorganic Salts Industry Association, with strong influence in the potash fertilizer industry.

Other than the abovementioned positions in the Company, Mr. Feng also serves as a director of certain subsidiaries of the Company. Currently, he is also a director of Qinghai Salt Lake Industry Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000792) and has been elected as its vice chairman since February 2021, and serves as the vice president of China Region of Syngenta Group. In December 2021, Mr. Feng was appointed as the chairman of the board of directors of Yitong Digital Technology Co., LTD..

Mr. Harry YANG – Executive Director

Mr. Harry YANG, aged 59, was appointed as an Executive Director of the Company in March 2006. He is also a member of the Nomination Committee and the Corporate Governance Committee of the Company. Mr. Yang graduated from the University of International Business and Economics in 1989 with a master's degree in International Business English. Mr. Yang joined Sinochem Group in 1989 and served successively as the general manager of Sinochem (USA) Inc. and Sinochem International London Oil Co., Ltd., and the director, general manager and vice chairman of the board of US Agri-Chemicals Corporation. From November 2002 to January 2017, Mr. Yang served as Deputy General Manager and General Counsel of the Company. Mr. Yang has served Sinochem Group for more than twenty years and accumulated extensive experience in international trade and fertilizer business with a deep understanding of the international fertilizer market.

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

Mr. KO Ming Tung, Edward, aged 61, was appointed as an Independent Non-executive Director of the Company in April 2000. He is also the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee of the Company. Mr. Ko obtained an external bachelor of Laws degree from the University of London in the United Kingdom in August 1986 and is a member of The Law Society of Hong Kong. Mr. Ko is the principal of Messrs. Edward Ko & Company and has been practicing as a solicitor in Hong Kong for more than 30 years.

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

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

Mr. LU Xin, aged 58, was appointed as an Independent Non-executive Director of the Company in February 2015. He is also the Chairman of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee of the Company. Mr. Lu graduated from Dongbei University of Finance and Economics in China in 1987 with a bachelor's degree in Economics, and has been awarded a master of business administration by the University of South Australia in 2006. Mr. Lu Xin worked for the Ministry of Finance of the People's Republic of China from 1987 to 1992, and China Trust and Investment Corporation for Economic Development from 1992 to 1995. Since 1995, Mr. Lu Xin has successively served as the assistant general manager, deputy general manager and managing director of Golden Sino (Holdings) Limited. From 2001 to 2004, Mr. Lu was the executive director and deputy chairman of the Board and the managing director of the Company (formerly known as Wah Tak Fung Holdings Limited). From 2008 to 2010, Mr. Lu was an independent non-executive director of Sino Resources Group Limited, whose shares are listed on the Main Board of the Stock Exchange in Hong Kong.

Other than the directorship in the Company, currently Mr. Lu is also an investment consultant of Wai Chun Group Holdings Limited, whose shares are listed on the Main Board of the Stock Exchnage in Hong Kong, and the chairman of the board of directors of World International Consulting Limited. Mr. Lu has over 29 years of experience in finance, investment and corporate management with extensive knowledge about economic activities in Hong Kong and Mainland China.

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

Mr. TSE Hau Yin, Aloysius, aged 74, was appointed as an Independent Non-executive Director of the Company in June 2007. He is also the Chairman of the Audit Committee, and a member of the Nomination Committee and the Remuneration Committee of the Company. Mr. Tse is a graduate of the University of Hong Kong. He is a fellow member of the Institute of Chartered Accountants in England and Wales, and the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Mr. Tse is the past president and a former member of the Audit Committee of the HKICPA. Mr. Tse joined KPMG in 1976, became a partner in 1984 and retired in March 2003. Mr. Tse was a non-executive Chairman of KPMG's operations in the PRC and a member of the KPMG China advisory board from 1997 to 2000. Mr. Tse is also a member of the International Advisory Council of The People's Municipal Government of Wuhan.

Other than the directorship in the Company, currently Mr. Tse is also an independent non-executive director of CNOOC Limited, China Telecom Corporation Limited and SJM Holdings Limited, all of which are companies whose shares are listed on the Stock Exchange in Hong Kong. On 23 March 2021, an announcement has been published by China Huarong Asset Management Co., Ltd. that Mr. Tse has resigned as its independent non-executive director and the resignation shall be effective from the commencement of the term of office of its new independent non-executive director. In addition to the above, Mr. Tse is currently an independent non-executive director of CCB International (Holdings) Limited, a wholly-owned subsidiary of China Construction Bank Corporation whose shares are listed on the Stock Exchange in Hong Kong. From 2004 to 2010, Mr. Tse was an independent non-executive director of China Construction Bank Corporation, which is listed on the Main Board of the Stock Exchange in Hong Kong. From May 2005 to December 2016, he was an independent non-executive director of Daohe Global Group Limited, which is listed on the Main Board of the Stock Exchange in Hong Kong. From November 2004 to June 2021, Mr. Tse was an independent non-executive director of OCBC Wing Hang Bank Limited.

SENIOR MANAGEMENT OF THE COMPANY

Mr. MA Yue – Deputy General Manager

Mr. MA Yue, aged 42, is the Deputy General Manager of the Company. Mr. Ma graduated from Beijing Jiaotong University with a bachelor's degree in management science & engineering in July 2001 and from Tsinghua University with an EMBA in April 2013. Mr. Ma joined Sinochem Fertilizer in July 2001, and successively served as the general manager of each of the Anhui Branch, Henan Branch, Hainan Branch, distribution & management department, network and logistics management department, network development department and network business department, as well as the general manager of Jiangsu Branch. He served as the assistant to the general manager of the Company from November 2015 to January 2017. Mr. Ma was promoted to his present position in January 2017. Currently, he also serves as a director of certain subsidiaries of the Company, as well as the vice president of China Region of Syngenta Group.

Mr. GAO Jian – Chief Financial Officer

Mr. GAO Jian, aged 51, is the Chief Financial Officer of the Company. Mr. Gao graduated from Chongqing Institute of Industrial Management in July 1993 with a bachelor's degree and obtained a master's degree in business administration from Renmin University of China in July 2002. Mr. Gao started his career in July 1993 and served as a staff member of the finance department of Wuzhou Engineering Design and Research Institute and the head of the finance department of the Shenzhen branch of the institute. In July 1999, Mr. Gao joined Sinochem Group and successively served as a staff member of the investment department and the finance department as well as the manager and assistant to the general manager of the accounting management department. He served as the deputy general manager of Qinghai Salt Lake Industry (Group) Co., Ltd. from August 2006 to August 2007; the deputy director (a temporary position) of the Working Bureau of Supervisory Panel of the State-owned Assets Supervision and Administration Commission of China from August 2007 to June 2008; and the chief financial officer of Sinochem Lantian Co., Ltd. from June 2008 to July 2011. Mr. Gao joined the Company in July 2011 and was appointed the present position. Currently, he also serves as a director of certain subsidiaries of the Company.

Ms. CHEN Sheng Nan – Deputy General Manager

Ms. CHEN Sheng Nan, aged 43, is the Deputy General Manager of the Company. Ms. Chen graduated from Nankai University with a bachelor's degree in chemistry in July 2000 and from Nankai University with a master's degree in polymer physics and chemistry in July 2003. Ms. Chen began her career and joined Sinochem Fertilizer in July 2003 and successively served as a staff member of the potash fertilizer department, assistant to the general manager of the potash fertilizer business department, as well as deputy general manager, executive deputy general manager and general manager of the potash fertilizer department, and has been the general manager of the fertilizer import department of Sinochem Group since March 2016. She served as the assistant to the general manager of the Company, deputy general manager of the basic fertilizer business department and general manager of the potash fertilizer department from January 2017 to May 2020. She has been the chairman of the board of supervisors of Qinghai Salt Lake Industry Co., Ltd., since November 2021. Ms. Chen was promoted to her present position in May 2020, and has concurrently served as the deputy general manager of the basic fertilizer business department and the general manager of the potash fertilizer department.

Ms. WANG Fang – Deputy General Manager

Ms. WANG Fang, aged 49, is the Deputy General Manager of the Company. Ms. Wang graduated from Guizhou University of Finance and Economics with a bachelor's degree in trade and economics in July 1994 and obtained a master's degree in business administration from Guizhou University in July 2005. Ms. Wang began her career in July 1994 and previously served as a staff member of the sales and transportation department, manager of the marketing department of the sales company, assistant to the general manager and head of general office, and deputy general manager of Wengfu (Group) Limited Liability Co. Ms. Wang joined Sinochem Fertilizer in March 2012 and successively held positions such as deputy general manager of phosphate compound fertilizer department, deputy general manager (presiding over the work) of phosphate fertilizer department and general manager of phosphate fertilizer department. She served as the assistant to the general manager of the Company, deputy general manager of the basic fertilizer business department, and general manager of the phosphate fertilizer department from January 2017 to May 2020. Ms. Wang was promoted to her present position in May 2020, and has concurrently served as the deputy general manager of the basic fertilizer business department and the general manager of the phosphate fertilizer department.

CORPORATE GOVERNANCE REPORT

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules in effect for the year ended 31 December 2021 sets out the principles of good corporate governance, and two levels of recommendations: (a) code provisions; and (b) recommended best practices. It also includes the mandatory disclosure requirements and recommended disclosures in respect of corporate governance for listed companies. For the year ended 31 December 2021 and up to the date of this report, the Company has complied with the applicable code provisions set out in the Corporate Governance Code, except for the deviations from the code provisions A.1.7 (code provision C.5.7 set out in the Corporate Governance Code effective from 1 January 2022) and E.1.2 (code provision F.2.2 set out in the Corporate Governance Code effective from 1 January 2022) 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 year and up to the date of this report, the Board approved certain connected transactions and continuing connected transactions by circulation of written resolutions in lieu of physical board meetings, for which certain Directors who also held senior positions in the controlling or substantial shareholders of the Company were regarded as having material interests therein. As the Directors of the Company are living and working far apart, adoption of written resolutions in lieu of physical board meetings allows the Board to make a decision relatively quicker in response to the rapid change in the fertilizer markets. Before formal execution of the written resolutions, the Directors (including the independent non-executive Directors) had discussed the matters via emails and made amendments to the terms of the transactions as appropriate.

The code provision E.1.2 provides that, among others, the chairman of the board should attend the annual general meeting of the listed issuer. In the annual general meeting of the Company held on 7 June 2021 (the "2021 AGM"), Mr. J. Erik Fyrwald, Chairman of the Board, did not chair the meeting because he was not able to travel to Hong Kong due to worldwide pandemic situation and also he was in different time zone with Hong Kong at the time of 2021 AGM. In order to ensure smooth holding of the 2021 AGM, Mr. Fyrwald authorized and the Directors attending the meeting elected Mr. Harry Yang, the Executive Director of the Company, to chair the meeting. Respective chairmen or representatives of the audit, remuneration, nomination and corporate governance committee of the Company were present at the 2021 AGM and were available to answer relevant questions, which was in compliance with other part of code provision E.1.2.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiries with all Directors, and the Directors have confirmed that they had complied with the required standards set out in the Model Code for the year under review.

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

BOARD OF DIRECTORS

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

Board composition

As at 31 December 2021, the Board consisted of seven members, including three Executive Directors, namely Mr. QIN Hengde, Mr. FENG Mingwei and Mr. Harry YANG, one Non-executive Director, Mr. J. Erik FYRWALD, and three Independent Non-executive Directors, namely Mr. KO Ming Tung, Edward, Mr. LU Xin and Mr. TSE Hau Yin, Aloysius.

The biographical details of the Directors are set out on pages 45 to 48 of this annual report.

Executive Directors

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

Non-executive Director

The Non-executive Director of the Company is experienced and professional in the relevant business of the Group, who provide professional opinion and analysis to the Board effectively.

Independent Non-executive Directors

All of the three Independent Non-executive Directors are experienced professionals with different expertise in accounting, finance and legal aspects. Their mix of skills and experience, and their independent view on matters of the Group provide constructive comments and suggestions to the Board and safeguard the interests of the shareholders in general and the Company as a whole.

Appointment, re-election and removal of Directors

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

A person may be appointed as a member of the Board at any time either by the shareholders in a general meeting or by the Board upon recommendation by the Nomination Committee of the Company. Directors who are appointed by the Board shall be subject to election by shareholders at the first general meeting after their appointment.

Independence of the Board

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

The Board has noticed that Mr. Ko Ming Tung, Edward and Mr. Tse Hau Yin Aloysius, both Independent Non-executive Director of the Company, have served the Board for more than 9 years. Pursuant to code provision A.4.3 of the Corporate Governance Code (code provision B.2.3 set out in the Corporate Governance Code effective from 1 January 2022), inter alia, having served the company for more than 9 years could be relevant to the determination of a non-executive director's independence. If an independent non-executive director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders. In this regard, the re-appointment of each of Mr. Ko and Mr. Tse as Independent Non-executive Director of the Company were approved by shareholders in separate resolution at the annual general meeting of the Company held on 7 June 2021. While serving more than 9 years could be relevant to the determination of independence, it is well recognized that an individual's independence cannot be determined arbitrarily on the basis of a set period of time. In assessing the independence of Independent Non-executive Directors, the Board and the Nomination Committee will consider the individual directors' character and judgement as demonstrated by their commitment and contribution to the Board during their years of service and other relevant factors. The Board are of the view that Mr. Ko and Mr. Tse, despite their length of service, have always expressed their views independently, objectively and impartially, constructively challenging the views of the other directors and testing the arguments whenever necessary. Their length of service also means they have in depth knowledge of the Company and the challenges that it faces which assisted greatly with the determination of long term goals and strategies. The Board is satisfied that Mr. Ko and Mr. Tse remain independent despite their years of service and that they will continue to effectively contribute as board members. The Board is of the view that each of the Independent Non-executive Directors meets the independence guidelines as set out in Rule 3.13 of the Listing Rules and that they are able to continue to fulfill their roles as required.

For the year ended 31 December 2021, Mr. J. Erik Fyrwald, Mr. Qin Hengde and Mr. Feng Mingwei each held senior positions in Syngenta Group (the indirect controlling shareholder of the Company).

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

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

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

Responsibilities of Chairman and Chief Executive Officer

The Board has authorized the management team to handle daily operational matters under the instruction and supervision of the Chief Executive Officer. Mr. J. Erik Fyrwald as the Chairman of the Board, is responsible to lead and ensure the effective management of the Board. Mr. Qin Hengde as the Chief Executive Officer, is responsible for the effective implementation of the policies formulated by the Board and the management of the businesses and operations of the Group.

During the year, Mr. J. Erik Fyrwald met once with all Independent Non-executive Directors of the Company without Executive Directors' present. During the meeting, the Independent Non-executive Directors communicated their comments on the overall business development, potential investments, shareholding structure, and pricing policies of the Group. They also discussed about the effectiveness of the management team of the Company. The Chairman accepted all these constructive comments and instructed management team to follow up, if appropriate.

Major duties of the Board

The Board is primarily responsible for the following matters:

1. to approve and monitor the strategic plans of the Group;

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

3. to review the dividend policy of the Company;

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

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

The Board is also responsible for overseeing the preparation of the annual consolidated financial statements which ensures a true and fair view of the state of affairs and of the results and cash flows of the Group for the year. In preparing the consolidated financial statements for the year ended 31 December 2021, the Board have:

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

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

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

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

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

Continuous professional development

The Company considers continuous professional development is important for Directors in maintaining up-to-date knowledge on the business operations of the Company as well as the regulations in the capital market. In this regard, the Company provided professional training to Directors and regular updates on new issues and/or changes in the regulatory environments. During the year, the Company also arranged and funded seminars, which were conducted by professionals, on the crisis and choice of capital surplus, and the overview and requirements for ESG of companies. All Directors have attended the seminar.

In addition, during the year ended 31 December 2021, the Directors participated in continuous professional development to develop and refresh their knowledge and skills, which ensure that their contributions to the Board remain informed and relevant. The Company also provided regular updates to all Directors in respect of the business and operations of the Group through monthly reports; and of the changes in Listing Rules, Corporate Governance Code and related regulatory requirements, if any.

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

	Type of training	
	Reading regulatory updates	**Attend forums/ seminars / briefings**
Executive Directors		
Mr. 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	✓	✓

Board meetings

For the year ended 31 December 2021, the Board held four meetings to discuss and review the Group's strategies and planning, the Company's annual report, interim report, dividend policy, certain continuing connected transactions, disclosable transactions and other significant matters. The Board had also approved certain proposals in respect of connected transactions, continuing connected transactions, investment and financing matters, by circulation of written resolutions during the year. The attendance rates of the members of the Board at the aforesaid Board meetings during the year ended 31 December 2021 are as follows:

	Attendance rate
Executive Directors	
Mr. Qin Hengde *(Chief Executive Officer)*	4/4
Mr. Feng Mingwei	4/4
Mr. Harry Yang	4/4
Non-executive Director	
Mr. J. Erik Fyrwald *(Chairman)*	4/4
Independent Non-executive Directors	
Mr. Ko Ming Tung, Edward	4/4
Mr. Lu Xin	4/4
Mr. Tse Hau Yin, Aloysius	4/4

COMMITTEES OF THE BOARD OF DIRECTORS

Audit Committee

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

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

The Audit Committee held four meetings during the year ended 31 December 2021. The Chief Financial Officer or the General Manager of Finance of the Company and the external auditors also attended the meetings. The attendance rates of each of the committee members at these meetings are as follows:

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

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

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

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

3. reviewed the independence of the external auditors, considered and made recommendation to the Board on the re-appointment of external auditors and the corresponding audit fee for the year ended 31 December 2021;

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

5. reviewed and evaluated annually the effectiveness of the Company's corporate governance practices and the Group's financial controls (including the adequacy of resources, staff's qualifications and experience in the Group's accounting and financial reporting functions), internal controls and risk management systems, procedures and arrangements to enable employees to raise concerns about possible improprieties in financial reporting, internal controls or other matters, and made sufficient communication with the management on related matters. The results of such review were satisfactory;

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

7. discussed the Group's risk management plan and the related work with the Risk Management personnel;

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

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

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

Remuneration Committee

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

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

The Remuneration Committee met once during the year ended 31 December 2021. The Remuneration Committee had also approved or passed a few proposals by circulation of written resolutions during the year, and had reported the relevant proposals to the Board for review or approval, where applicable, in subsequent communications to the Board. The attendance rates of each of the committee members at the aforesaid meeting during the year ended 31 December 2021 are as follows:

	Attendance rate
Independent Non-executive Directors	
Mr. Lu Xin *(Chairman)*	1/1
Mr. Ko Ming Tung, Edward	1/1
Mr. Tse Hau Yin, Aloysius	1/1

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

1. evaluated the performance of Executive Directors and senior management and approved the proposals on performance bonus, special award and appraisal award for Executive Directors and senior management for the year 2020, based on their achievements in various performance and/or strategic targets established in the year before;

2. reviewed the remuneration package (including cash compensation and bonus scheme) and other major benefits of Executive Directors and senior management for the year 2021;

3. made recommendation to the Board in respect of the compensation proposals for Non-executive Directors and Independent Non-executive Directors for the year 2021;

4. reviewed the appointment letters for Executive Directors and Chief Executive Officer;

5. approved the appointment of remuneration consultant; and

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

Remuneration policy of the Group

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

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

The Group reviews its remuneration policy annually and engages professional consultant, if necessary, to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 31 December 2021, the Group had about 4,499 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 2021, the Group provided 3,509 person-times or 36,284 hours of training (any training organized by the subsidiaries has not been included in these numbers) to employees. The training courses covered areas such as industrial development, strategy implementation, organizational skills, corporate culture, leadership enhancement, marketing management, innovative methods and tools, policy interpretation, new media operations, technical exchanges, compliance risks, epidemic control and prevention, finance, human resource management, safe production and general working skills. These training will further improve the management skills and professional standards of the management of the Group and enhance the overall quality of the employees to cater to the Group's rapid developments, and improve the competitiveness of the Group.

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

Nomination Committee

The Nomination Committee of the Company was established by the Board in August 2005 with its written terms of reference. The Nomination Committee currently comprises four members. The Chairman of the Nomination Committee is Mr. Ko Ming Tung, Edward and the other members are Mr. Lu Xin, Mr. Tse Hau Yin, Aloysius and Mr. Harry Yang. Except for Mr. Harry Yang who is an Executive Director, the remaining three members are all Independent Non-executive Directors.

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

The Nomination Committee met once during the year ended 31 December 2021. The attendance rates of each of the committee members at the aforesaid meetings during the year are as follows:

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

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

1. reviewed the structure, size and composition, including board diversity, of the Board and made suggestions to the Board;

2. reviewed the terms of appointment of Directors and made recommendations to the Board;

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

4. reviewed the independence of Independent Non-executive Directors and made suggestions to the Board; and

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

Policy in respect of nomination of directors of the Company

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

Bye-law 88 of the Company provides that no person, other than a Director retiring at the meeting, shall be eligible for election as a Director at any general meeting unless:

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

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

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

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

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

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

2. professional and educational background;

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

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

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

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

Board diversity policy of the Company

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

During the year, the Nomination Committee had reviewed the Board composition of the Company and considered that the then existing Board's composition is diversified in terms of age, years of service, position, skills and knowledge. In order to promote gender diversity, the Company promoted two female executives in 2020 so that the Company will have a pipeline of female senior management and potential successors to the Board. The Group offered all rounded trainings to both male and female employees who are considered as having suitable experience, skills and knowledge of the Group's operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance and research and development. The Board considered that such strategy will offer chances for the Board to identify capable female employees to be nominated as a member of the Board in future with an aim to providing the Board with pipeline of female candidates to achieve gender diversity in the Board in the long run. The Board planned to appoint at least one female director before February 2024 to achieve gender diversity of the Board. For the year ended 31 December 2021, the Group has total headcount of 4,499 employees, of which 3,622 employees are male and 877 employees are female.

The table below shows the headcount analysis on the diversity of the current Board members as at 31 December 2021:

	Years of Service			
Age	**Less than 5 years**	**6 to 10 years**	**Over 10 years**	**Total**
Age 45-54	1	–	–	1
Age 55-64	3	–	2	5
Age 65-74	–	–	1	1
Total	4	–	3	7

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

Corporate Governance Committee

The Corporate Governance Committee of the Company was established by the Board in March 2012 with its written terms of reference. The Corporate Governance Committee currently comprises four members. The Chairman of the Corporate Governance Committee is Mr. Qin Hengde (Executive Director and Chief Executive Officer), and the other members of the Corporate Governance Committee are Mr. Feng Mingwei (Executive Director), Mr. Harry Yang (Executive Director) and Ms. Cheung Kar Mun, Cindy (Company Secretary).

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

The Corporate Governance Committee met once during the year ended 31 December 2021. The attendance rates of each of the committee members at the aforesaid meeting are as follows:

	Attendance rate
Executive Directors	
Mr. Qin Hengde *(Chairman)*	1/1
Mr. Feng Mingwei	1/1
Mr. Harry Yang	1/1
Management	
Ms. Cheung Kar Mun, Cindy	1/1

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

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

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

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

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

5. reviewed the Company's compliance with the Corporate Governance Code and the disclosures in the Corporate Governance Report;

6. monitored the Company's process in the preparation of Environmental, Social and Governance Report and reviewed the related disclosures in the report; and

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

COMMUNICATION WITH SHAREHOLDERS

Shareholders communication policy

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

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

- For questions about shareholdings, contact the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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

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

The full version of Shareholders Communication Policy is available on the Company's website.

Dividend policy

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

General meetings

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

2021 AGM of the Company was held on 7 June 2021, in which Mr. Harry Yang, Executive Director of the Company, chaired the meeting on behalf of the Board. In addition, the external auditors of the Company and respective chairmen or representatives of the audit, remuneration, nomination and corporate governance committees of the Company attended the 2021 AGM and were available to answer relevant questions. The attendance rates of each of the Directors at the 2021 AGM are as follows:

	Attendance rate
Executive Directors	
Mr. Qin Hengde *(Chief Executive Officer)*	0/1
Mr. Feng Mingwei	0/1
Mr. Harry Yang	1/1
Non-executive Director	
Mr. J. Erik Fyrwald *(Chairman)*	0/1
Independent Non-executive Directors	
Mr. Ko Ming Tung, Edward	1/1
Mr. Lu Xin	1/1
Mr. Tse Hau Yin, Aloysius	1/1

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

	Attendance rate
Executive Directors	
Mr. Qin Hengde *(Chief Executive Officer)*	0/2
Mr. Feng Mingwei	0/2
Mr. Harry Yang	2/2
Non-executive Director	
Mr. J. Erik Fyrwald *(Chairman)*	0/2
Independent Non-executive Directors	
Mr. Ko Ming Tung, Edward	2/2
Mr. Lu Xin	2/2
Mr. Tse Hau Yin, Aloysius	2/2

Shareholders' rights

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

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

Constitutional documents

The constitutional documents of the Company, including the memorandum of association and Bye-laws of the Company, are available for review by shareholders from the Company's website. During the year, there is no change in these constitutional documents.

EXTERNAL AUDITOR

The Group's external auditor for the year is KPMG. The Audit Committee is mandated to ensure continuing auditors' objectivity and safeguarding independence of the auditors. During the year, the Audit Committee has considered and approved the re- appointment of KPMG as auditor of the Group for the year ended 31 December 2021, and the corresponding audit fees estimation.

The audit fees paid or payable by the Group to the external auditors in respect of audit and other non-audit services for the year ended 31 December 2021 were as follows:

	For the year ended 31 December	
Nature of services	**2021** ***RMB'000***	2020 *RMB'000*
Audit service (including audit of financial statements and other audit related projects)	**3,850**	3,850
Tax related service	**152**	176
Total	**4,002**	4,026

FINANCIAL MANAGEMENT

The Group consistently strengthened management on the fundamental financial work, strengthened internal coordination, improved internal risk control, normalized rules and regulations, focused on informatization and gradually improved work quality. By closely following up on business operations and identifying potential risks and opportunities, the Group continued to reduce its financing costs, optimize its debt scale and preserve its capital. Following our strategies, the Group devoted itself to discovering, protecting and creating corporate value.

In terms of team building, the Group insisted on conducting internal organization and talent review, mid-year training, monthly special meetings and professional appraisal. With external financial personnel and fresh graduates to join our team, the Group is committed to building a high-quality and professional financial talent pool that meets our strategic development requirements.

In terms of accounting, the Group strengthened the timeliness and accuracy of basic financial information, completed the accounting records and prepared the consolidated financial statements with high quality. The expense reimbursement system and financial robots were applied in accordance with the financial and tax business scenarios. Combining with supply chain transformation and upgrade of information system, the Group continuously improved its work efficiency. At the same time, in accordance with the requirements of the capital market, the Group provided relevant information to the designated information disclosure platform and welcomed the supervision and inspection from regulators.

In terms of budget and analysis, the Group constantly improved the overall budget management system and paid attention to the breakdown of the budget and accountability. The Group utilized management tools including 369 rolling forecast and the risk and opportunity (R&O) analysis to strengthen process monitoring, and guaranteed the achievement of annual targets through deviation rectification in the process of development. The Group promoted the implementation of comprehensive benchmarking, and compared its performance with advanced enterprises and the research, production and sales of internal differentiated products. Through benchmark management, the Group constantly improved and created best practices. It carried on with the high-performance orientation, focused on investment returns, optimized resource allocation and brought into full play the strategic orientation and monitoring role of budget and analysis.

In terms of fund management, in 2021, under the haze of COVID-19 pandemic and increasingly high inflationary pressure, the economic stimulus measures of major central banks in Europe and the United States remained uncertain. It is expected that there will be a long road to economic recovery. Stable fundamentals and moderate inflation have provided room for China's monetary policy. The People's Bank of China has lowered the one-year fixed deposit rate through RRR cuts and interest rate cuts, thereby reducing the financing costs of entities. The Group further strengthened its cooperation with Sinochem Finance and external banks of strategic alliance, maintained sufficient banking facilities, brought into full play the advantage of integrated operation of both domestic and overseas resources, strengthened the allocation and utilization of internal capital of the Group and increased the capital turnover rate. Capitalizing on direct financing channels, the Group chose to issue super and short-term commercial paper to optimize its financing costs. The Group also actively developed forward settlement methods including bank acceptance bill and letter of credit in order to reduce the capital cost.

In 2021, as the global COVID-19 pandemic continued to evolve, the external environment became more complicated and difficult. It is expected that the monetary policies of major economies will shift gradually, and the Chinese economy will be facing new downward pressure. Affected by various factors such as economic fundamentals, policy changes and market expectations, volatility is bubbling up in foreign exchange markets, and two-way volatility in the RMB exchange rate will increase. Throughout the year, the overall RMB exchange rate followed a "M" trend, i.e. an appreciation trend despite fluctuations. In consideration of the operation mode of fertilizer import business, the Group still took prudent measures and made gradual adjustments in exposure requirements of business units according to the actual situation. As RMB fluctuated in a narrow range and remained relatively strong, spot exchange settlement and sales has been made on demand according to the business requirements. If the fluctuation of the RMB intensifies with signs of decline and volatility, forward exchange settlement and sales shall be made in a timely manner to mitigate medium and long-term exchange rate fluctuation risks.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board understands that, in accordance with the code provision C.2 of the Corporate Governance Code (code provision D.2 of the Corporate Governance Code effective from 1 January 2022) contained in the Listing Rules, the Board should ensure that the Group's internal control and risk management system is robust and appropriate, and continuously monitor and review its operation effectiveness in order to safeguard shareholders' interests and the Group's assets. During the year, in addition to prevention and control of the COVID-19 pandemic, the Group focused on the internal integration of Syngenta Group China by identifying risks, striving for strategic development and optimizing our business. At the same time, the Group strengthened its systems and standardized its construction, revised the manual of duties and responsibilities, enhanced the accountability of responsible entities, and focused on audit and inspection of its subsidiaries. The Group also carried out annual review and evaluation on its internal control and risk management system in all aspects, covering every significant aspect of control such as financial monitoring, operation monitoring, compliance monitoring and risk management functions so as to ensure the effective operation of the internal control system by taking into consideration the respective characteristics of the branches and subsidiaries of the Company.

Internal Control

For years, the Group has been committed to enhancing its internal control and risk management system and constantly improving the system construction and its practical effects. During the year, the Financial Management Department, the Discipline Inspection and Audit Compliance Department, and the Legal Department of the Group played a leading role in the Group's internal control work. The Group also continued to strengthen its internal control and promoted relevant work through evaluation for steady development.

During the year, the Discipline Inspection and Audit Compliance Department carried out internal control evaluation in accordance with the relevant requirements of the Listing Rules. Based on the results of the annual risk assessment, the internal audit project and annual audit plan were formulated to review the internal control and risk management of the Group. The Discipline Inspection and Audit Compliance Department has also reviewed and agreed with the Audit Committee on the annual audit and resource utilization to ensure the effectiveness of internal audit.

During the year, the Discipline Inspection and Audit Compliance Department of the Group strengthened the supervision of epidemic prevention and control, promoted the subsidiaries to actively resume work and production, and organized and implemented internal audits through a combination of remote audits and on-site audits. The audit projects covered areas such as financial audit and internal control audit. Key branches, subsidiaries, associates and joint ventures of the Group were in the scope of audit. Combined with the internal control system of the Group, the results of previous internal control assessments, the findings of annual audit investigations, the inspections of the board of supervisors, the strategic requirements of the companies as well as the concern areas of the Audit Committee, through carrying out self-assessments by departments of the headquarter, branches, controlling production subsidiaries and overseas subsidiaries, the Internal Audit Department thoroughly reviewed the effectiveness of the design and implementation of the key elements in respect of environment control, risk assessment, controlled activities, information and communication, internal control, etc. Furthermore, the Internal Audit Department analyzed and summarized the related contents including the assessment process of internal control, identification of defects and improvement measures of internal control as well as the conclusion on the effectiveness of internal control. The Group further guaranteed the quality of internal control assessment through adopting the approach that combined training, self-assessment and tutoring examination, and enhanced the internal control system of the Group by fostering sound internal control assessment and improving the circulation mechanism.

In addition, the Group has formulated internal procedures and administrative measures for information disclosure in accordance with relevant laws, regulations, the Listing Rules and Bye-law(s), and regularly coordinates and collects various internal information. After completing relevant approval procedures, such as obtaining the approval from the Board of the Company, the relevant information will be published and disclosed on the designated websites in accordance with the requirements of the Listing Rules. The employees of the Group are also required to keep inside information confidential prior to its release to the public.

Through inspection and assessment on internal control system, the Group believed that, for the year of 2021, it had a relatively good internal control environment, systematically identified, assessed and coped with risks the Group faced, established a sound and complete internal system and normative business processes and performed well in information transmission and communication as well as execution of internal supervision. The internal control and risk management system of the Group was adequate and effective and could reasonably secure the strategy promotion and current business development of the Company. In future, the Group will continue to comply with the Listing Rules of the Stock Exchange and refer to the Basic Norms of Internal Control and its guidelines. The Group will focus on building a strong multi-level supervision system, improve internal control as well as the early warning mechanism, rectification and follow-up mechanism and outcome application system, further enhance the effectiveness of design and execution of internal control, constantly promote the quality and efficiency of the internal control and ensure the smooth implementation of the Company's strategic objectives.

Risk Management

The Group adopted a risk management model for which the general manager is responsible under the leadership of the Board of Directors and built a risk management organization as well as a system for guarantee consisting of decisionmakers, risk management department, responsibility departments (including business units) for major risk management and auditing and supervision department.

In 2021, the Group continued to carry out comprehensive risk identification and assessment work. All functional departments of the headquarters and their subordinate units scientifically identified, assessed and predicted major risks faced by the Group, with reference to internal and external environment, including but not limited to environmental, social and governance related risks of significance. This creates a mechanism for monitoring the major risks, and reporting and tracking events involving operational risk, which improves the standard of operational risk assessment and monitoring.

In the face of such severe and complicated external economic situation and the global COVID-19 pandemic, the fertilizer prices of the Group fluctuated considerably and the operational pressure increased. Due to the internal integration of Syngenta Group China, the Group's organizational structure has undergone major adjustments. In line with the Company's strategy and new requirements for business development, the Group continued to strengthen its risk management, focused on indicator monitoring of major risk management and control, and strengthened full disclosure of major risk events on a monthly basis. In addition to on-site financial risk audits, the Group made good use of online meetings and online supervision during the pandemic for daily management. Meanwhile, the Group further strengthened the corporate culture of risk awareness among all employees in various ways, enhanced the risk awareness of business units as responsible entities, and actively created an atmosphere of "stable operation and healthy development" for risk control. In the fourth quarter of 2021, in line with the requirements of external supervision of the State-owned Assets

Supervision and Administration Commission of the State Council and its own risk management, the Group continued to carry out new annual risk identification, assessment and response, strengthened the management and control of key businesses, key processes and key risk points and further reinforced the management and control measures such as adding quantitative indicators for major risks. The Basic Fertilizers Division and the Distribution Division streamlined and improved management systems, optimized business processes, and ensured that the business operations were carried out in a standard and orderly manner.

In 2021, the Group enhanced the allocation and utilization efficiency of credit and inventory resources, carried out differentiated monitoring and evaluation over companies with over-due receivables and long-aged inventories, controlled the trade receivables and inventories, and further deepened the management and control of key operational risks.

In order to ensure the implementation effectiveness of the risk management system, the Group continued to bring into full play its internal examination and evaluation function of risk management. In 2021, the Group carried out 13 on-site inspections on its branches and subsidiaries. Through headquarters inspection, cross inspection and special inspection, the Group increased the intensity of on-site inspections among its subsidiaries, understood the risk management status of the business units, and followed up the rectification of problems found, which enhanced the quality and efficiency of internal supervision to ensure the operational safety.

INVESTOR RELATIONS AND INFORMATION DISCLOSURE

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

In 2021, despite the fact that the global economy showed regional recovery, the outbreak of Omicron, a variant of COVID-19, and the epidemic rebound had an impact on the economic recovery in several regions. Under the effective control implemented by the Chinese government over the COVID-19 pandemic across the country, remarkable economic recovery was achieved. With the development of a moderately prosperous society in all respects, China has solved its historical problem of absolute poverty, showing a complete victory in the fight against poverty. At the same time, China has witnessed high-quality and steady agricultural development, and gradually transformed itself from a large agricultural country to a strong agricultural country. The Chinese government has persisted in giving top priority to solving problems related to agriculture, rural areas and farmers, with an aim to accelerate modernization of agriculture and rural areas. As for agricultural development, green and quality agriculture was promoted when upholding the philosophy of revitalizing agriculture with quality and in green. With poverty alleviation accomplished, the focus of rural work has gradually shifted to the comprehensive promotion of rural revitalization.

Against the backdrop of tremendous challenges in the global economy, in order to consolidate its leading position in the industry, the Group, under the framework of Syngenta Group China and the leadership of the Board, pushed forward strategic transformation with the focus on reform and innovation. By adhering to the principal of customer-oriented, the Group optimized its operating model to promote the research and development of products that can reduce fertilizer application and enhance efficiency, as well as promote scientific planting and develop digitalized agriculture to empower the upstream and downstream services of the industrial chain, thereby facilitating the development of modernized and intelligent agriculture with high technologies in China. Meanwhile, the Group proactively carried out work related to investor relations and information disclosure, and maintained adequate information exchange and communication with the capital market in respect of industrial market conditions, business operation of the Company and its corporate development strategy, which achieved good results.

In 2021, the work related to investor relations of the Group mainly included:

1. In March 2021, the Company announced the 2020 annual results of the Group and held press conference and analysts' meeting.

2. In August 2021, the Company announced the 2021 interim results of the Group and held press conference and analysts' meeting.

Apart from the above-mentioned press conferences for results announcement, the Group also attended several investor conferences organized by investment banks and kept effective communication and connection with investors and analysts through various methods during ordinary operation, including on-site receptions, conference calls, and emails. For the year ended 31 December 2021, the Group had conducted more than 150 interviews and maintained communication with the capital market through various methods.

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

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

HEALTH, SAFETY AND ENVIRONMENT

The Group insisted on a people-oriented policy of environmental priority, prevention in advance and comprehensive management, actively implemented clean production, continuously reduced pollutant emission through technological transformation, built a long-term environmental protection mechanism and constantly improved its environmental protection performance. The Group actively built an enterprise featuring intrinsic safety and environmental friendliness and proactively fulfilled its social responsibility.

In 2021, the Group achieved the planned goals of "zero" fatal accident, "zero" general or above environmental incident, "zero" new case of occupational disease and "zero" major negative public opinion on health, safety and environment (HSE). The Group maintained an overall stable performance in HSE.

In 2021, the Group implemented relevant national policies and arrangements through the improvement of the HSE system construction. By signing HSE accountability letters at various levels, the Group managed to delegate the main HSE responsibility at all levels. By focusing on "system integration" and "risk management and control" and fully promoting the HSE systematic management, the Group commenced a three-year action plan for rectification of production safety. All subsidiaries continued to increase safety investment, carried out risk identification and hidden danger investigation, continuously improved the working environment, and ensured the health of the personnel.

The Group insists on being people-oriented, prioritizing environmental protection and focusing on prevention and comprehensive management. As climate change becomes more serious, the Group is well-aware of its responsibility to protect the environment. By strictly abiding by the Environmental Protection Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China as well as the Environmental Impact Assessment Law of the People's Republic of China, the Group was committed to identification of environmental risks and the prevention and pollution control of water, air, soil and solid waste, so as to ensure compliance with national laws and regulations on environmental protection. While preventing the generation of new pollutants, the Group used advanced technologies and equipment to continuously reduce emissions, establish an efficient environmental protection mechanism, reduce the impacts on the environment, and promote harmonious coexistence with the environment. The Group formulated emergency plans for sudden environmental pollution incidents, equipped themselves with necessary emergency materials and seriously performed emergency response exercises. In 2021, no environmental pollution incident was identified.

In 2021, an actual investment of RMB149.64 million was made in the Group's environmental protection, including RMB73.96 million in Sinochem Fuling, RMB63.09 million in Sinochem Yunlong, RMB3.38 million in Sinochem Changshan, RMB7.09 million in Sinochem Shandong Fertilizer Co., Ltd., RMB0.23 million in Sinochem Agricultural Ecological Technology (Hubei) Co., Ltd., RMB1.85 million in Fujian Sinochem Zhisheng Chemical Fertilizer Co., Ltd. and RMB0.04 million in Sinochem Yantai Crop Nutrition Co., Ltd.

In 2021, the Group fully achieved its energy-saving and emission reduction targets. The emissions of SO2, NOX, COD and NH3-N were 541.37 tons, 473.88 tons, 73.66 tons and 14.72 tons, respectively. Sinochem Changshan, one of our subsidiaries, was subject to the second-round inspection by the fourth batch of central environmental protection inspectors. Its environmental protection work was affirmed by the inspection team. Sinochem Yunlong has been listed as Green Factory by the Ministry of Industry and Information Technology.

Environmental, Social and Governance Report

The Company is going to publish its 2021 Environmental, Social and Governance Report soon in compliance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules. The content of the report will conform to the requirements of the Stock Exchange and disclose the environmental, social and governance performance of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The Group focused on key products. On one hand, it strengthened the development of core bases and core suppliers, stabilized the international and domestic supply system, built a diversified supply chain, guaranteed the long-term and stable supply of high-quality fertilizer resources for the Group and continued to maintain its position as a large fertilizer importer of China; on the other hand, it explored key markets and maintained close cooperation with core customers, continued to improve the integrated management of upstream and downstream operations, formed a strong linkage between the upstream and downstream operations and became an important player in the supply chain of basic fertilizers. In 2021, the Group followed the strategy of in-depth distribution, and the proportion of straight service for big growers increased.

In 2021, the aggregate revenue generated from the five major customers of the Group accounted for no more than 20% of the Group's total revenue. Over the years, the Group maintained a stable business relationship with Shanghai Haoyuan Agricultural Material Development Co., Ltd., one of the major customers of the Group.

In 2021, the aggregate purchase from the Group's five major suppliers accounted for about 20% of the Group's total purchases, including 6% from the largest supplier. As the most important domestic potash supplier for the Group, Qinghai Salt Lake maintained a long-term business relationship with the Group and supplied potash products to the Group by means of payment upon delivery or payment in advance.

The Group tightened the access threshold for customers and suppliers. In particular, strict examination and approval procedures were applied to customers with sale on credit and suppliers with payment in advance. The Group closely followed up on the operation status of the major customers and suppliers and attached credit insurance to each of them. In 2021, the Group maintained sound cooperation with its major customers and suppliers.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group strictly complied with the requirements of national laws, regulations and policies, as well as the relevant regulations of the Stock Exchange, including the Listing Rules. In 2021, stringent regulation continued to be implemented on environmental protection, energy management and production safety in China, and the Group strictly abided by the relevant laws and regulations such as the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Energy Conservation, the Law of the People's Republic of China on Production Safety, the Cleaner Production Promotion Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste, the Air Pollution Prevention and Control Law of the People's Republic of China, and the Soil Pollution Prevention and Control Law of the People's Republic of China. The Group adhered to a people-oriented policy of environmental priority, prevention in advance and comprehensive management, the core vision of industry value. It organized production and operation activities in accordance with the relevant national laws and regulations relating to environmental protection, energy conservation, cleaner production, production safety as well as water and soil conservation. Through active fulfillment of environmental protection responsibility and implementation of supervision and management of environmental protection facilities, the Group strived to prevent environment related incidents. By leveraging measures such as internal control and risk and HSE management, the Company effectively safeguarded its lawful and compliance operation as well as the achievement of its operation objectives and strategic transformation and upgrading.

DIRECTORS' REPORT

The Board of Directors of the Company hereby presents the Directors' Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding.

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

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 103 to 104 of the annual report.

The Board recommended the payment of a final dividend of HK$0.0528 (equivalent to RMB0.0432) per share for the year ended 31 December 2021 (2020: HK$0.0327, equivalent to RMB0.0275) to the shareholders, estimated to be HK$370,890,000 (equivalent to approximately RMB303,240,000) out of the contributed surplus of the Company. It is expected that the relevant dividend will be paid by 25 July 2022 to those entitled, subject to shareholders' approval at the forthcoming annual general meeting.

FINANCIAL SUMMARY

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover from the Group's five largest customers were less than 30% of the Group's total turnover for the year ended 31 December 2021. The aggregate purchases from the Group's five largest suppliers represented less than 30% of the Group's total purchases for the year ended 31 December 2021.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company for the year are set out in note 37 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity from pages 108 to 109 of the annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2021, the Company's reserves available for distribution to shareholders, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), amounted to approximately RMB1,396,576,000 (2020: RMB1,585,006,000). The amount represented the credit standing in the contributed surplus and retained earnings of the Company as at 31 December 2021.

DONATIONS

During the year ended 31 December 2021, the Group had made approximately RMB1,696,000 charitable donations in cash and made donations of other items worth approximately RMB91,000.

DIRECTORS

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

Executive Directors
Mr. Qin Hengde *(Chief Executive Officer)*
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

In accordance with the Bye-laws of the Company, Mr. Feng Mingwei, Mr. Harry Yang and Mr. Lu Xin will retire at the forthcoming annual general meeting of the Company and being eligible, offer themselves for re- election.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management of the Company are set out on pages 45 to 50 of the annual report.

DISCLOSURE OF INFORMATION OF DIRECTORS

Pursuant to the disclosure requirements under rule 13.51B(1) of the Listing Rules on the Stock Exchange, the changes/update of information of Directors during the year ended 31 December 2021 and up to the date of this report are as follows:

1. The total cash compensation received/receivable by Mr. Qin Hengde, an Executive Director and the Chief Executive Officer of the Company, Mr. Feng Mingwei and Mr. Harry Yang, Executive Directors of the Company, for the year ended 31 December 2021 are set out in note 10 to the consolidated financial statements.

2. Mr. Qin Hengde, an Executive Director and the Chief Executive Officer of the Company, ceased to be a director and vice chairman of Qinghai Salt Lake on 22 February 2021. On the same date, Mr. Feng Mingwei, an Executive Director of the Company, was elected as the vice chairman of Qinghai Salt Lake.

3. 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.

4. Mr. Ko Ming Tung, Edward, an Independent Non-executive Director of the Company, ceased to be an independent non-executive director of Sterling Group Holdings Limited with effect from 1 December 2021.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2021, the Company had entered into service contract with Mr. Harry Yang, Executive Director of the Company, which has a term of three years and will be renewable upon mutual negotiation on expiry.

The Company had issued formal letters of appointment for two Executive Directors and all Non-executive Directors (including Independent Non–executive Directors) of the Company, setting out key terms and conditions of their appointment and in compliance with the code provision D.1.4 as set out in the Corporate Governance Code (code provision C.3.3 set out in the Corporate Governance Code effective from 1 January 2022).

Save as disclosed above, as at 31 December 2021, none of the Directors has a service contract with the Company.

DIRECTORS' INTERESTS IN THE SHARES

As at 31 December 2021, the interests of the Directors and chief executives in the Shares, share options, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were disclosed below.

As at 31 December 2021, the following Directors of the Company had long position in the ordinary shares of HK$0.1 each of the Company:

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

Save as disclosed above, as at 31 December 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 year and as at 31 December 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 eighteen years of age to acquire benefits by means of the acquisition of Shares in, or debt securities of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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
Sinochem Holdings Corporation Ltd. ("Sinochem Holdings") *(Notes 1 & 2)*	3,698,660,874	52.65%
China National Chemical Corporation Limited ("ChemChina") *(Note 2)*	3,698,660,874	52.65%
Syngenta Group Co., Ltd. ("Syngenta Group") *(Note 2)*	3,698,660,874	52.65%
Syngenta Group (HK) Holdings Company Limited ("Syngenta HK") *(Note 3)*	3,698,660,874	52.65%
Nutrien Ltd. *(Note 4)*	1,563,312,141	22.26%
Potash Corporation of Saskatchewan Inc. ("Potash Corporation") *(Note 4)*	1,563,312,141	22.26%
PCS (Barbados) Investment Company Limited ("PCS") *(Note 5)*	1,563,312,141	22.26%

Notes:

1. *On 16 September 2021, the Company was informed by Sinochem Holdings Corporation Ltd. (中國中化控股有限責任公司), a new holding company established by SASAC, that its strategic restructuring was completed. Accordingly, ChemChina became the wholly-owned subsidiary of Sinochem Holdings.*

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

3. *Syngenta HK, formally known as CNAC (HK) Holdings Company Limited, was beneficially interested in 3,698,660,874 ordinary Shares of the Company.*

4. *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.*

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

Save as disclosed above, other than the Directors or chief executives of the Company, the Company has not been notified of any other relevant interests or short positions held by any other person in the issued share capital of the Company as at 31 December 2021, which were required to be recorded in the register maintained by the Company under section 336 of the SFO.

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

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

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to 22 February 2021, Mr. Qin Hengde, an Executive Director and the Chief Executive Officer of the Company, was a director and the vice chairman of the board of directors of Qinghai Salt Lake. During the year and up to the date of the report, Mr. Feng Mingwei, an Executive Director of the Company, is a director of Qinghai Salt Lake and was appointed as its vice chairman on 22 February 2021. Qinghai Salt Lake is a joint stock limited liability company incorporated in the PRC whose shares are traded on the Shenzhen Stock Exchange (stock code: 000792). The principal activities of Qinghai Salt Lake include the development, production and sale of potassium chloride (a form of potash), and the comprehensive development and utilization of saltlake resources.

As at 31 December 2021, the board of directors of Qinghai Salt Lake consists of 12 directors. Mr. Qin Hengde and Mr. Feng Mingwei were not involved in the daily production, sale, operation or management of Qinghai Salt Lake. Both Mr. Qin Hengde and Mr. Feng Mingwei have extensive experience in the fertilizer industry, are aware of their duties and responsibilities as the Directors and senior management members of the Company, and are able to devote sufficient time to the business of the Group. The Company believes that Mr. Qin Hengde had exercised and Mr. Feng Mingwei is able to exercise their independent judgment in making decisions at the Board meetings and act in the interest of the Group.

Save as disclosed above, during the year ended 31 December 2021 and up to the date of this report, none of the Directors of the Company and their respective close associates were interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

CONNECTED TRANSACTIONS

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

I. One-off Connected Transactions

For the year ended 31 December 2021, the Group conducted the following one-off connected transactions that are subject to the reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

1. Agreement for the Use of Fund and the Supplemental Agreement

On 8 November 2019 and 17 August 2020, Sinochem Fertilizer (as the lender) and Sinochem Agriculture (as the borrower) entered into the Agreement for the Use of Fund and the Supplemental Agreement, respectively. Pursuant to the Agreement for the Use of Fund (as revised by the Supplemental Agreement), Sinochem Fertilizer agreed to provide the fund in a total amount of not more than RMB1,000 million to Sinochem Agriculture at an interest rate of 3.85% for the first year (which would be adjusted for the second year), with a maturity date of 17 September 2022. Sinochem Agriculture should use the fund for its daily working capital and acquisition of fixed assets.

ChemChina is the indirect controlling shareholder of the Company, indirectly holding approximately 52.65% of the total issued shares of the Company, and is therefore a connected person of the Company. Sinochem Agriculture is a subsidiary of ChemChina and also a connected person of the Company. As such, the transaction under the Agreement for the Use of Fund (as revised by the Supplemental Agreement) constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that one or more of the applicable percentage ratios in respect of the transaction under the Agreement for the Use of Fund (as revised by the Supplemental Agreement) are more than 5% but less than 25%, such transaction (i) is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, and (ii) also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under such Chapter.

For detailed information on the aforesaid transaction, please refer to the announcements dated 8 November 2019 and 17 August 2020, and the circular dated 2 September 2020 published by the Company. The transaction under the Agreement for the Use of Fund (as revised by the Supplemental Agreement) has been approved by the independent shareholders of the Company at the special general meeting of the Company held on 17 September 2020.

2. EPC General Contracting Agreement

On 11 March 2021, Sinochem Fuling (as principal) entered into the EPC General Contracting Agreement with CBLE and CIEI (as contractors), pursuant to which CBLE and CIEI will provide design, procurement and construction services to Sinochem Fuling in respect of the Project for a total consideration of RMB84,380,000. Located on the new production site of Sinochem Fuling, the Project involves the construction of beneficiation and ancillary equipment with a production capacity of 1.2 million tonnes per annum, which forms part of the production facilities to be built by Sinochem Fuling on its new production site for the production of 200,000 tonnes of fine phosphates and ancillary novel special fertilizers per annum.

ChemChina is the indirect controlling shareholder of the Company, and is therefore a connected person of the Company. CBLE is a non-wholly owned subsidiary of ChemChina and also a connected person of the Company. As such, the Transaction constitutes a connected transaction of the Company. Given that the applicable percentage ratios in respect of the Transaction are more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For detailed information on the aforesaid transaction, please refer to the announcement dated 11 March 2021 published by the Company.

3. Disposal of a Natural Gas Pipeline and Auxiliary Facilities

On 26 March 2021, Sinochem Fuling entered into the Asset Transfer Contract with Fuling Shale Gas, pursuant to which Sinochem Fuling agreed to dispose of and Fuling Shale Gas agreed to acquire the Assets at a consideration of RMB93,868,700. The Assets were a long-distance natural gas pipeline and the auxiliary facilities along the natural gas pipeline, including stations, valve chambers, highways and tunnels.

Sinochem Fuling is an indirect non-wholly owned subsidiary of the Company. Fuling SASAC, together with its subsidiary, holds an aggregate of 25.27% equity interest in Sinochem Fuling, and is therefore a substantial shareholder of Sinochem Fuling. Fuling Shale Gas is a connected person of the Company at the subsidiary level by virtue of it being an indirect wholly-owned subsidiary of Fuling SASAC. As such, the Disposal constitutes a connected transaction between the Group and a connected person at the subsidiary level. As the applicable percentage ratios in respect of the Disposal are more than 1% but less than 5%, the Disposal is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For detailed information on the aforesaid transaction, please refer to the announcement dated 26 March 2021 published by the Company.

4. Formation of a Joint Venture

On 7 December 2021, Sinochem Fertilizer, Qinghai Salt Lake and Sinochem Capital Investment entered into the Promoters Agreement for the formation of the Joint Venture. The registered capital of the Joint Venture is RMB166,600,000, of which Sinochem Fertilizer would make a capital contribution of RMB74,970,000 (including the capital contribution of RMB32,542,200 in the form of the Fertex platform and its related assets, and the remaining capital contribution in the form of cash), representing 45% equity interest in the Joint Venture.

Sinochem Holdings is the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. Sinochem Capital Investment is an indirect non-wholly owned subsidiary of Sinochem Holdings and also a connected person of the Company. As such, the Transaction constitutes a connected transaction of the Company. Given that the applicable percentage ratios in respect of the Transaction are more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For detailed information on the aforesaid transaction, please refer to the announcements dated 12 November 2021 and 7 December 2021 published by the Company.

5. Lease Contract

On 31 December 2021, Sinochem Fertilizer entered into the Lease Contract with Junmao Real Estate, pursuant to which Sinochem Fertilizer (as the lessee) agreed to lease the Properties from Junmao Real Estate (as the lessor) as office premises. The Properties are units 1601-1613 on the 16th floor of Royal International Mansion, with a total gross floor area of 2,778.84 square metres. The rentals of the Properties are RMB608,632.65 (inclusive of tax) per month, and the property management fees of the Properties are RMB77,807.52 (inclusive of tax) per month. The term of the Lease Contract is from 31 December 2021 to 30 March 2025.

Sinochem Holdings is the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. Junmao Real Estate is an indirect non-wholly owned subsidiary of Sinochem Holdings, and is therefore also a connected person of the Company. In accordance with HKFRS 16 "Leases", the rental payment to be made by Sinochem Fertilizer under the Lease Contract will be recognised as a right-of-use asset. The payment of the property management fees to be made by Sinochem Fertilizer under the Lease Contract will be recognised as expenses of the Group over the lease term of the Lease Contract. As such, pursuant to Chapter 14A of the Listing Rules, the payment of rentals under the Lease Contract constitutes a one-off connected transaction of the Company, and the payment of property management fees under the Lease Contract constitutes a continuing connected transaction of the Company.

Given that the relevant applicable percentage ratios in respect of the value of the right-of-use asset to be recognised by the Group under the Lease Contract are more than 0.1% but less than 5%, the transactions contemplated under the Lease Contract and the payment of rentals thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Given that all applicable percentage ratios in respect of the annual amount of the property management fees are less than 0.1%, the payment of property management fees is exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For detailed information on the aforesaid transaction, please refer to the announcement dated 31 December 2021 published by the Company.

II. Continuing Connected Transactions

For the year ended 31 December 2021, the Group's continuing connected transactions are listed below, which are subject to the reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of the following continuing connected transactions. During the year, the Company have followed the pricing policies and guidelines formulated at the time when such transactions were entered into.

1. Agricultural Products Purchase and Sale Framework Agreements

1) Framework Agreement entered into between Sinochem Fertilizer and ChemChina

On 29 October 2020, Sinochem Fertilizer and ChemChina entered into the Framework Agreement, pursuant to which Sinochem Fertilizer would continue to purchase from and/or sell to subsidiaries of ChemChina certain agricultural products, including fertilizers (such as nitrogen fertilizer, phosphate fertilizer, potash fertilizer and compound fertilizer), agrichemicals (such as pesticide, fungicide and herbicide) and seeds, during the period from 1 January 2021 to 31 December 2021 (both days inclusive). Pursuant to the Framework Agreement, prices of agricultural products shall be determined with reference to the fair market prices of the products within the PRC at the time when Sinochem Fertilizer or the relevant subsidiary of ChemChina submits its purchase plan for the relevant products.

For the year ended 31 December 2021, the annual cap in respect of the purchase of agricultural products by Sinochem Fertilizer from subsidiaries of ChemChina was RMB494,800,000, and the annual cap in respect of the sale of agricultural products by Sinochem Fertilizer to subsidiaries of ChemChina was RMB700,600,000.

2) *Fertilizer Purchase and Sale Framework Agreement entered into between Sinochem Fertilizer and Sinochem Group*

On 24 August 2021, Sinochem Fertilizer and Sinochem Group entered into the Fertilizer Purchase and Sale Framework Agreement, pursuant to which Sinochem Fertilizer would continue to purchase from and/or sell to subsidiaries of Sinochem Group certain fertilizer and related products during the period from 24 August 2021 to 31 December 2021 (both days inclusive). Pursuant to the Fertilizer Purchase and Sale Framework Agreement, prices of fertilizer and related products shall be determined with reference to the fair market prices of the products within the PRC at the time when Sinochem Fertilizer or the relevant subsidiary of Sinochem Group submits its purchase plan for the relevant products.

For the term of the Fertilizer Purchase and Sale Framework Agreement, the cap amount in respect of the purchase of fertilizer and related products by Sinochem Fertilizer from subsidiaries of Sinochem Group was RMB20,000,000, and the cap amount in respect of the sale of fertilizer and related products by Sinochem Fertilizer to subsidiaries of Sinochem Group was RMB40,000,000.

3) *Agricultural Products Purchase and Sale Framework Agreement entered into between Sinochem Fertilizer and Sinochem Holdings*

On 22 November 2021, Sinochem Fertilizer entered into the Agricultural Products Purchase and Sale Framework Agreement with Sinochem Holdings, the holding company of ChemChina and Sinochem Group, pursuant to which Sinochem Fertilizer would continue to purchase from and/or sell to subsidiaries of Sinochem Holdings (including ChemChina and Sinochem Group and their respective subsidiaries) certain agricultural products (including all types of products under the Framework Agreement and the Fertilizer Purchase and Sale Framework Agreement mentioned above) within the PRC during the period from 1 January 2022 to 31 December 2024 (both days inclusive). Pursuant to the Agricultural Products Purchase and Sale Framework Agreement, prices of agricultural products shall be determined with reference to the fair market prices of the products within the PRC at the time when Sinochem Fertilizer or the relevant subsidiary of Sinochem Holdings submits its purchase plan for the relevant products.

For the three years ending 31 December 2024, the annual caps in respect of the purchase of agricultural products by Sinochem Fertilizer from subsidiaries of Sinochem Holdings are RMB410,000,000, RMB520,000,000 and RMB630,000,000, respectively, and the annual caps in respect of the sale of agricultural products by Sinochem Fertilizer to subsidiaries of Sinochem Holdings are RMB2,260,000,000, RMB3,430,000,000 and RMB4,480,000,000, respectively.

ChemChina is the indirect controlling shareholder of the Company, and is therefore a connected person of the Company. As ChemChina and Sinochem Group are wholly owned by Sinochem Holdings, each of Sinochem Holdings and Sinochem Group is an associate of ChemChina and also a connected person of the Company. The transactions contemplated under each of the Framework Agreement, the Fertilizer Purchase and Sale Framework Agreement and the Agricultural Products Purchase and Sale Framework Agreement constitute continuing connected transactions of the Company. Given that the applicable percentage ratios in respect of the annual caps for continuing connected transactions contemplated under each of the Framework Agreement and the Agricultural Products Purchase and Sale Framework Agreement are more than 5%, such transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Given that the applicable percentage ratios in respect of the cap amounts for continuing connected transactions contemplated under the Fertilizer Purchase and Sale Framework Agreement are more than 0.1% but less than 5%, such transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For detailed information on the aforesaid transactions, please refer to the announcements dated 29 October 2020, 24 August 2021 and 22 November 2021, and the circulars dated 3 December 2020 and 13 December 2021 published by the Company. The continuing connected transactions under each of the Framework Agreement and the Agricultural Products Purchase and Sale Framework Agreement have been approved by the independent shareholders of the Company at the special general meetings of the Company held on 18 December 2020 and 29 December 2021, respectively.

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

1) *Fertilizer Import Framework Agreement*

On 24 August 2021, the Company and Sinochem Fertilizer entered into the Fertilizer Import Framework Agreement with Sinochem Group, pursuant to which Sinochem Group would continue to import fertilizer and other fertilizer raw materials sourced by overseas subsidiaries of the Company and sell them to Sinochem Fertilizer (or other domestic subsidiaries of the Company). The Fertilizer Import Framework Agreement became effective upon obtaining approval from the independent shareholders and expired on 31 December 2021.

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

For the term of the Fertilizer Import Framework Agreement, the cap amount in respect of the purchase of fertilizer and other fertilizer raw materials by Sinochem Group from overseas subsidiaries of the Company was US$370,000,000, and the cap amount in respect of the sale of fertilizer and other fertilizer raw materials by Sinochem Group to Sinochem Fertilizer (or other domestic subsidiaries of the Company) was RMB2,600,000,000.

2) *New Fertilizer Import Framework Agreement*

On 22 November 2021, the Company and Sinochem Fertilizer entered into the Fertilizer Import Framework Agreement (the "New Fertilizer Import Framework Agreement") with Sinochem Group, pursuant to which Sinochem Group will continue to import fertilizer and other fertilizer raw materials sourced by overseas subsidiaries of the Company and sell them to Sinochem Fertilizer (or other domestic subsidiaries of the Company) during the period from 1 January 2022 to 31 December 2024 (both days inclusive). The pricing principles under the New Fertilizer Import Framework Agreement are the same as those under the Fertilizer Import Framework Agreement.

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

ChemChina is the indirect controlling shareholder of the Company, and is therefore a connected person of the Company. As Sinochem Group is an associate of ChemChina, Sinochem Group is also a connected person of the Company. The transactions contemplated under each of the Fertilizer Import Framework Agreement and the New Fertilizer Import Framework Agreement constitute continuing connected transactions of the Company. Given that the applicable percentage ratios in respect of the cap amounts for continuing connected transactions contemplated under each of the Fertilizer Import Framework Agreement and the New Fertilizer Import Framework Agreement are more than 5%, such transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For detailed information on the aforesaid transactions, please refer to the announcements dated 24 August 2021 and 22 November 2021, and the circulars dated 14 September 2021 and 13 December 2021 published by the Company. The continuing connected transactions under each of the Fertilizer Import Framework Agreement and the New Fertilizer Import Framework Agreement have been approved by the independent shareholders of the Company at the special general meetings of the Company held on 30 September 2021 and 29 December 2021, respectively.

3. *Financial Services Framework Agreement entered into between the Company and Sinochem Finance*

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

For each of the three years ending 31 December 2023, the maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance is RMB1,000,000,000, and the annual cap in respect of the Other Financial Services is RMB10,000,000.

Sinochem Finance is an indirect subsidiary of Sinochem Holdings, and is therefore a connected person of the Company. As such, the transactions contemplated under the Financial Services Framework Agreement constitute continuing connected transactions of the Company. Given that the applicable percentage ratios in respect of the maximum daily outstanding balance of the Deposit Services under the Financial Services Framework Agreement are more than 5% but less than 25%, the Deposit Services (i) are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, and (ii) also constitute a discloseable transaction under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements thereunder. Given that the applicable percentage ratios in respect of the annual caps of the Other Financial Services under the Financial Services Framework Agreement are more than 0.1% but less than 5%, the Other Financial Services are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Given that the Loan Services (excluding entrustment loans) provided by Sinochem Finance to the Group constitute financial assistance provided by a connected person for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the financial assistance, the continuing connected transactions under the Loan Services are exempt from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

For detailed information on the aforesaid transactions, please refer to the announcement dated 24 August 2021 and the circular dated 14 September 2021 published by the Company. The continuing connected transactions under the Financial Services Framework Agreement have been approved by the independent shareholders of the Company at the special general meeting of the Company held on 30 September 2021.

4. UK Service Agreement Entered into Between Sinochem Macao and Sinochem UK

On 9 December 2019, Sinochem Macao and Sinochem UK entered into the UK Service Agreement, pursuant to which Sinochem UK shall provide local supplier relations and logistics services to Sinochem Macao in Europe at cost (mainly including salaries and employee benefits, office rent, repair and maintenance, utilities, insurance and other administrative costs) during the period from 1 January 2020 to 31 December 2022 (both days inclusive). Pursuant to the UK Service Agreement, the fee payable by Sinochem Macao shall range from US$4 to US$10 per tonne of products.

For each of the three years ending 31 December 2022, the annual cap in respect of the fees payable by Sinochem Macao to Sinochem UK under the UK Service Agreement is US$2,300,000.

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

For detailed information on the aforesaid transactions, please refer to the announcement dated 9 December 2019 published by the Company.

5. Continuing connected transactions under Rule 14A.60 of the Listing Rules

Before the completion of the Strategic Restructuring, the Group had entered into various continuing transactions with Sinochem Group and its subsidiaries, which, upon completion of the Strategic Restructuring, have become continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Such transactions primarily involved the purchase and/or sale of fertilizers and other fertilizer raw materials (including potash fertilizers, compound fertilizers, phosphate fertilizers, special fertilizers and sulphur) between subsidiaries of the Company (including Sinochem Macao, Dohigh Trading, Sinochem Singapore and Sinochem Fertilizer) and Sinochem Group and its subsidiaries (including Luxi Chemical, Luxi Nitro and Sinochem Hebei).

For detailed information on the aforesaid transactions, please refer to the announcement 16 September 2021 published by the Company.

III. The annual caps approved for and the actual transacted amount of continuing connected transactions of the Group for the year ended 31 December 2021 are set out below:

Name of Transactions	Currency	For the year ended 31 December 2021 Annual caps *('000)*	Annual transacted amount *('000)*
1. Agricultural Products Purchase and Sale Framework Agreement entered into between Sinochem Fertilizer and ChemChina			
(1) Purchase of agricultural products from subsidiaries of ChemChina	RMB	494,800	278,333
(2) Sale of agricultural products to subsidiaries of ChemChina	RMB	700,600	700,030
2. Fertilizer Purchase and Sale Framework Agreement entered into between Sinochem Fertilizer and Sinochem Group			
(1) Purchase of fertilizer and related products from subsidiaries of Sinochem Group	RMB	20,000	1,003
(2) Sale of fertilizer and related products to subsidiaries of Sinochem Group	RMB	40,000	39,943
3. Fertilizer Import Framework Agreement entered into between Sinochem Fertilizer and Sinochem Group			
(1) Purchase of fertilizer and other fertilizer raw materials by Sinochem Group from overseas subsidiaries of the Company	USD	370,000	131,585
(2) Sale of fertilizer and other fertilizer raw materials by Sinochem Group to Sinochem Fertilizer (or other domestic subsidiaries of the Company)	RMB	2,600,000	954,445
4. Financial Services Framework Agreement entered into between the Company and Sinochem Finance			
(1) Maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance	RMB	1,000,000	934,148
(2) Other Financial Services provided by Sinochem Finance (other than loans provided to the Group)	RMB	10,000	626
5. UK Service Agreement entered into between Sinochem Macao and Sinochem UK	USD	2,300	1,900

Transactions with joint ventures and associates, and Sinochem Group and its subsidiaries until September 2021, which are disclosed as related party disclosures in note 43 to the consolidated financial statements of the annual report, do not fall under the definition of connected transactions or continuing connected transactions or were fully exempt under Chapter 14A of the Listing Rules and thus are not disclosed above.

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

IV. Confirmation from Independent Non-executive Directors

In the opinion of the Independent Non-executive Directors of the Company, the continuing connected transactions for the year ended 31 December 2021 have been entered into by the Group:

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

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

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

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

- nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;
- for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group;

- nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

- with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

CONTRACTS OF SIGNIFICANCE BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDER

For the period from 1 January 2021 to 15 September 2021, ChemChina is the ultimate controlling shareholder of the Company; while for the period from 16 September 2021 up to the date of this report, Sinochem Holdings is the ultimate controlling shareholder of the Company. The contracts of significance between the Company and/or its subsidiaries with the controlling shareholder and/or its subsidiaries during the year are disclosed in details in the section headed "Connected Transactions" in this Directors' Report.

MAJOR DISCLOSEABLE EVENTS

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

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

1. During the year, Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company completed several financing activities for replenishing the working capital and for repayment of certain debts of the Group. These financing activities are listed below:

    (i) The first tranche of the super & short-term commercial paper for the year of 2021 in an amount of RMB1 billion, with a term of 49 days and at a coupon rate of 2.90% per annum, was issued on 14 January 2021, and was subsequently repaid on 5 March 2021;

    (ii) The second tranche of the super & short-term commercial paper for the year of 2021 in an amount of RMB1 billion, with a term of 70 days and at a coupon rate of 2.95% per annum, was issued on 1 March 2021, and was subsequently repaid on 11 May 2021;

    (iii) The third tranche of the super & short-term commercial paper for the year of 2021 in an amount of RMB1 billion, with a term of 90 days and at a coupon rate of 2.60% per annum, was issued on 28 April 2021, and was subsequently repaid on 28 July 2021; and

(iv) The fourth tranche of the super & short-term commercial paper for the year of 2021 in an amount of RMB0.6 billion, with a term of 60 days and at a coupon rate of 2.47% per annum, was issued on 26 October 2021, and was subsequently repaid on 26 December 2021.

2. On 31 March 2021, Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company (as the guarantor) entered into the Guarantee Contract in favour of Sinochem Finance, pursuant to which Sinochem Fertilizer agreed to provide the Guarantee of up to RMB670 million for the due performance of the repayment obligations of Yangmei Pingyuan to Sinochem Finance under the Loan Contract. On the same day, Sinochem Fertilizer entered into the Guarantee Fee Agreement with Yangmei Pingyuan, pursuant to which Yangmei Pingyuan agreed to pay to Sinochem Fertilizer a guarantee fee with respect to the Guarantee on an annual basis at a rate of 1% per year of the maximum guarantee amount under the Guarantee Contract.

   Given that one or more of the applicable percentage ratios in respect of the provision of the Guarantee are more than 5% but less than 25%, the provision of the Guarantee constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. For detailed information on the aforesaid transactions, please refer to the announcement dated 31 March 2021 published by the Company.

Save as disclosed above and in this report, the Company had no other major discloseable events during the year ended 31 December 2021.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY' LISTED SECURITIES

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

PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained sufficient public float exceeding 25% of its issued share capital throughout the year ended 31 December 2021 and up to the date of this report.

REMUNERATION POLICY

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

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme of the Group are set out in note 46 to the consolidated financial statements.

HOUSING FUNDS

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

POST BALANCE SHEET EVENT

There was no significant event occurred after the balance sheet date.

AUDITOR

As approved in the relevant annual general meetings of the Company, KPMG was appointed as auditor of the Company since the year ended 31 December 2012.

For and on behalf of the Board

Qin Hengde
Executive Director and Chief Executive Officer

Hong Kong, 22 March 2022

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Sinofert Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 103 to 207, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Assessing potential impairment of goodwill

Refer to note 18 to the consolidated financial statements and the accounting policies in note 2(o)(ii).

The Key Audit Matter

Goodwill attributable to Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong"), a subsidiary in the fertilizer industry acquired by the Group, amounted to RMB531 million as at 31 December 2021.

Management determined the recoverable amounts of the cash-generating units ("CGUs") to which the goodwill was allocated by means of discounted cash flow forecasts prepared for each of these CGUs.

Management's impairment assessment involves significant judgment, particularly in determining estimated selling prices, sales quantities and the discount rates applied, all of which can be inherently uncertain.

We identified assessing potential impairment of goodwill of Sinochem Yunlong as a key audit matter because determining the recoverable amounts involves a significant degree of management judgment and may be subject to management bias.

How the matter was addressed in our audit

Our audit procedures to assess potential impairment of goodwill included the following:

- assessing management's identification of CGUs and the allocation of assets and liabilities to each CGU with reference to the requirements of the prevailing accounting standards;
- discussing future operating plans with management and comparing the estimated revenue and profit used in the discounted cash flow forecasts with the approved budget;
- engaging our internal valuation specialists to assist us in assessing the impairment assessment methodology adopted and the discount rates used in the discounted cash flow forecasts by performing recalculations with market and other external available information derived from companies in the similar industries;
- evaluating the sensitivity analysis prepared by management for each of the key assumptions, including estimated selling prices and sales quantities, adopted in the discounted cash flow forecasts and considering the possibility of error or management bias;
- performing a retrospective review of last year's impairment assessment and comparing the forecast data with the current year's results to assess the reliability of management's forecasting process; and
- considering the disclosures in the consolidated financial statements in respect of the impairment assessment with reference to the requirements of the prevailing accounting standards.

Revenue recognition

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

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

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG
Certified Public Accountants

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

22 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021
(Expressed in RMB)

	Note	2021 RMB'000	2020 RMB'000
Revenue	4(a)	22,641,396	21,380,740
Cost of sales		(20,681,394)	(19,393,757)
Gross profit		1,960,002	1,986,983
Other income and gains	5	237,244	212,602
Selling and distribution expenses		(583,323)	(825,743)
Administrative expenses		(708,545)	(587,942)
Other expenses and losses	7(a)	(211,802)	(156,934)
Profit from operations		693,576	628,966
Share of results of associates		13,154	40,020
Share of results of joint ventures		184,459	39,790
Gain on disposal of a subsidiary		25,932	–
Finance costs	6	(16,999)	(37,034)
Profit before taxation	7(b)	900,122	671,742
Income tax	8(a)	(19,615)	(18,317)
Profit for the year		880,507	653,425
Profit for the year attributable to:			
– Owners of the Company		866,612	644,074
– Non-controlling interests		13,895	9,351
		880,507	653,425

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2021
(Expressed in RMB)

	Note	2021 RMB'000	2020 RMB'000
Profit for the year		**880,507**	653,425
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		**113,014**	(56,307)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**(45,591)**	(88,710)
Other comprehensive income for the year	9	**67,423**	(145,017)
Total comprehensive income for the year		**947,930**	508,408
Total comprehensive income attributable to:			
– Owners of the Company		**934,035**	499,057
– Non-controlling interests		**13,895**	9,351
		947,930	508,408
Earnings per share			
Basic and diluted (RMB)	13	**0.1234**	0.0917

The notes on pages 113 to 207 form part of these financial statements. Details of dividends payable to equity shareholders of the Company for the year are set out in note 12.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021
(Expressed in RMB)

		As at 31 December	
		2021	2020
	Note	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment	*14*	**3,742,989**	2,808,287
Right-of-use assets	*15*	**469,604**	503,215
Mining rights	*16*	**346,747**	479,545
Intangible assets	*17*	**14,962**	17,229
Goodwill	*18*	**822,551**	831,107
Interests in associates	*19*	**630,804**	619,045
Interests in joint ventures	*20*	**654,047**	394,618
Other equity securities	*21*	**310,744**	312,286
Prepayments for acquisition of property, plant and equipment		**191,783**	83,640
Loans to a related party	*26*	**–**	950,000
Deferred tax assets	*36*	**80,656**	89,329
Other long-term assets	*22*	**30,335**	742,986
		7,295,222	7,831,287
Current assets			
Inventories	*23*	**4,801,502**	5,323,067
Trade and bills receivables	*24*	**726,503**	571,719
Other receivables and prepayments	*25*	**1,942,690**	1,945,754
Loans to related parties	*26*	**620,000**	670,000
Other financial assets	*27*	**2,737**	4,657
Restricted bank deposits		**16,930**	–
Cash and cash equivalents	*28*	**1,313,892**	762,548
Other current assets	*29*	**775,017**	–
		10,199,271	9,277,745

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2021
(Expressed in RMB)

		As at 31 December	
		2021	2020
	Note	***RMB'000***	*RMB'000*
Current liabilities			
Trade and bills payables	*30*	**2,412,497**	2,425,679
Contract liabilities	*31*	**3,319,138**	3,680,473
Other payables and provision	*32*	**1,307,643**	657,220
Bank loans	*33*	**52,215**	714,297
Short-term commercial paper	*34*	**–**	1,000,000
Lease liabilities	*35*	**33,005**	40,524
Tax liabilities		**33,825**	18,627
		7,158,323	8,536,820
Net current assets		**3,040,948**	740,925
Total assets less current liabilities		**10,336,170**	8,572,212
Non-current liabilities			
Bank loans	*33*	**989,000**	–
Lease liabilities	*35*	**19,521**	12,403
Deferred income		**184,132**	152,553
Deferred tax liabilities	*36*	**138,073**	171,622
Other long-term liabilities		**21,720**	69,083
		1,352,446	405,661
NET ASSETS		**8,983,724**	8,166,551

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2021
(Expressed in RMB)

		As at 31 December	
		2021	2020
	Note	***RMB'000***	*RMB'000*
CAPITAL AND RESERVES			
Issued equity	*37*	**5,887,384**	5,887,384
Reserves		**2,855,684**	2,115,934
Total equity attributable to owners of the Company		**8,743,068**	8,003,318
Non-controlling interests		**240,656**	163,233
TOTAL EQUITY		**8,983,724**	8,166,551

The consolidated financial statements on pages 103 to 207 were approved and authorized for issue by the board of directors on 22 March 2022 and are signed on its behalf by:

Qin Hengde	**Feng Mingwei**
Director	*Director*

The notes on pages 113 to 207 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021
(Expressed in RMB)

	Note	Attributable to owners of the Company										
		Issued equity RMB'000	Capital and other reserve RMB'000 (note a)	Statutory reserve RMB'000 (note b)	Contributed surplus RMB'000 (note c)	Fair value reserve (non-recycling) RMB'000 (note d)	Special reserve RMB'000 (note e)	Exchange reserve RMB'000 (note f)	(Accumulated losses)/ retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2020		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 year		–	–	–	–	–	–	–	644,074	644,074	9,351	653,425
Other comprehensive income for the year		–	–	–	–	(56,307)	–	(88,710)	–	(145,017)	–	(145,017)
Total comprehensive income for the year		–	–	–	–	(56,307)	–	(88,710)	644,074	499,057	9,351	508,408
Maintenance and production fund	*e*	–	–	–	–	–	434	–	(434)	–	–	–
Capital injection into a subsidiary	*38*	–	(58,672)	–	–	–	–	–	–	(58,672)	208,672	150,000
Dividend declared	*12*	–	–	–	(187,912)	–	–	–	–	(187,912)	(5,345)	(193,257)
Disposal of other equity securities		–	–	–	–	1,688	–	–	(1,688)	–	–	–
Balance at 31 December 2020 and 1 January 2021		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 year		–	–	–	–	–	–	–	866,612	866,612	13,895	880,507
Other comprehensive income for the year		–	–	–	–	113,014	–	(45,591)	–	67,423	–	67,423
Total comprehensive income for the year		–	–	–	–	113,014	–	(45,591)	866,612	934,035	13,895	947,930
Maintenance and production fund	*e*	–	–	–	–	–	350	–	(350)	–	–	–
Capital injection from non-controlling shareholders	*38*	–	(3,154)	–	–	–	–	–	–	(3,154)	66,154	63,000
Dividend declared	*12*	–	–	–	(191,131)	–	–	–	–	(191,131)	(3,399)	(194,530)
Disposal of other equity securities		–	–	–	–	(69,142)	–	–	69,142	–	–	–
Disposal a subsidiary	*38*	–	–	–	–	–	–	–	–	–	773	773
Balance at 31 December 2021		5,887,384	559,119	366,484	1,391,058	(93,043)	71,488	(621,415)	1,181,993	8,743,068	240,656	8,983,724

Notes:

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

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

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

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

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

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

The notes on pages 113 to 207 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021
(Expressed in RMB)

	2021 *RMB'000*	2020 *RMB'000*
Operating activities		
Profit before taxation	**900,122**	671,742
Adjustments for:		
Share of results of associates	**(13,154)**	(40,020)
Share of results of joint ventures	**(184,459)**	(39,790)
Dividend income from listed equity securities	**(4,922)**	(3,872)
Interest income from related parties	**(32,080)**	(50,534)
Interest income from time deposits	**–**	(9,363)
Other interest income	**(16,285)**	(62,555)
Fair value changes of financial assets	**(104)**	1,609
Fair value changes of forward foreign exchange contracts	**429**	52,643
Finance costs	**16,999**	37,034
Depreciation of property, plant and equipment	**153,786**	154,501
Depreciation of right-of-use assets	**56,851**	66,976
Amortization of mining rights	**34,024**	33,568
Amortization of intangible assets	**2,655**	2,838
Amortization of other long-term assets	**13,136**	14,773
Impairment loss on property, plant and equipment	**31,349**	16,694
Impairment loss on intangible assets	**–**	110
Impairment loss on mining rights	**98,774**	–
Impairment of trade and bills receivables	**1,165**	6,391
Impairment of other current assets	**21,065**	–
Impairment of other receivables and prepayments	**1,453**	18,541
Gain on disposal of a subsidiary	**(25,932)**	–
Reversal of over-accrual of separation and hand-over of water/power/gas supply and property management facilities to entities designated by local government	**(20,301)**	–
(Gain)/loss on disposal of property, plant and equipment	**(29,531)**	11,804
Provision for onerous contract	**230,979**	–
Write-down of inventories	**52,674**	21,800
Write-off of payables	**(436)**	(8,850)
Release of deferred income	**(7,579)**	(7,579)
Operating cash flows before movements in working capital	**1,280,678**	888,461
Decrease/(increase) in inventories	**459,940**	(25,299)
Increase in trade and bills receivables	**(155,949)**	(172,429)
Increase in other receivables and prepayments	**(25,176)**	(131,758)
Increase in deferred income	**39,158**	30,000
Decrease/(increase) in trade and bills payables	**13,874**	(929,464)
Increase in other payables and contract liabilities	**11,283**	1,357,575
Increase in restricted deposits	**(16,930)**	–

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2021
(Expressed in RMB)

	2021 RMB'000	2020 RMB'000
Operating activities (continued)		
Cash generated from operations	**1,606,878**	1,017,086
Income tax paid	**(38,316)**	(26,714)
Net cash generated from operating activities	**1,568,562**	990,372
Investing activities		
Purchase of property, plant and equipment	**(1,348,218)**	(601,014)
Proceeds from disposal of property, plant and equipment	**144,724**	37,210
Proceeds from disposals of land use rights	**577**	–
Acquisition of intangible assets	**(388)**	(20,177)
Additions of other long-term assets	**(46,336)**	(111,231)
Purchase of land use rights	**(8,484)**	(27,481)
Loans to related parties	**–**	(1,920,000)
Loans repaid from related parties	**1,000,000**	1,220,000
Payment for purchase of other financial assets	**(4,657)**	(7,725,906)
Proceeds from sale of other financial assets	**6,681**	8,119,640
Placement of time deposits	**–**	(800,000)
Proceeds from withdrawal of time deposits	**–**	1,102,500
Interest received from related parties	**32,080**	50,534
Interest income from time deposits and other interest income	**12,752**	78,733
Proceeds from disposal of a subsidiary	**19,879**	–
Addition to investment in a joint venture	**(42,441)**	–
Dividends received from listed equity securities	**4,922**	3,872
Dividends received from an associate	**1,395**	3,192
Addition to investment in an associate	**–**	(89,901)
Proceeds from disposal of listed equity securities	**123,580**	3,312
Net cash used in investing activities	**(103,934)**	(676,717)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2021
(Expressed in RMB)

	Notes	2021 RMB'000	2020 RMB'000
Financing activities			
Repayment of bank and other loans	28(b)	(3,745,741)	(1,687,554)
Proceeds from bank and other loans	28(b)	4,072,659	2,401,851
Repayment of short-term commercial paper	28(b)	(4,600,000)	(4,200,000)
Proceeds from short-term commercial paper	28(b)	3,600,000	2,800,000
Capital element of lease rentals paid	28(b)	(34,706)	(58,380)
Interest element of lease rentals paid	28(b)	(2,275)	(3,144)
Other Interest paid	28(b)	(69,803)	(87,214)
Capital injection from non-controlling interests	38	63,000	150,000
Dividends paid		(194,530)	(194,630)
Net cash used in financing activities		(911,396)	(879,071)
Net increase/(decrease) in cash and cash equivalents		553,232	(565,416)
Cash and cash equivalents at 1 January	28(a)	762,548	1,333,998
Effect of foreign exchange rate changes		(1,888)	(6,034)
Cash and cash equivalents at 31 December	28(a)	1,313,892	762,548

The notes on pages 113 to 207 form part of these financial statements.

1 GENERAL

Sinofert Holdings Limited (the "Company", together with its subsidiaries hereinafter collectively referred to as the "Group") is a limited company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. Its immediate holding company is Syngenta Group (HK) Holdings Company Limited ("Syngenta (HK) Holdings", incorporated in Hong Kong) and its ultimate holding company is Sinochem Holdings Corporation Ltd. ("Sinochem Holdings"). The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is Unit 4705, 47th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The Group is mainly engaged in manufacturing and selling of fertilizers and related products. Details of the Company's principal subsidiaries are set out in note 45.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Group and the Group's interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– financial instruments classified as other equity securities and other financial assets (see note 2(g));

– derivative financial instruments (see note 2(h)); and

– bills receivable.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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

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

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

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

(c) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

– Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

– Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

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 or prior periods have been prepared or presented in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions, and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group choose to measure any non-controlling interests at fair value of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 2(e)).

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(f) and 2(o)(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are included in the Group's consolidated profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the Group's other comprehensive income.

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

Unrealized profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures (continued)

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)).

A decrease in interest in an equity-accounted investee while maintaining equity accounting can result from a dilution. The Group's policy is to recognize any gain or loss on dilution directly in equity, except when impairment indicators exist then the Group first assesses and recognizes any impairment loss in accordance with the accounting polices described in note 2(o)(ii).

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(o)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in debt and equity securities

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

Investments in debt and equity securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 40(f). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

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

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

– FVOCI-recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in debt and equity securities (continued)

(ii) Equity investments

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

(h) Derivative financial Instruments

Derivative financial Instruments are recognized at fair value. At the end of each reporting period the value is remeasured. The gain or loss on remeasurement to fair value recognized immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(i) Property, plant and equipment

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment (continued)

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

Category	Years of depreciation
Buildings	20-30 years
Plant, machinery and equipment	10-14 years
Motor vehicles	8 years
Furniture and fixtures	4 years

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

(j) Construction in progress

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

(k) Mining rights

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

(l) Intangible assets (other than goodwill)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Software and others	5-10 years

Both the period and method of amortisation are reviewed annually.

(m) Leased assets

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

(i) As a lessee

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leased assets (continued)

(i) As a lessee (continued)

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

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

The lease liabllity is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not orginally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognized the change in consideration as if it were not a lease modification.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leased assets (continued)

(ii) As a lessor

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

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

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

(n) Activators

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

(o) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognizes a loss allowance for ECLs on financial assets measured at amortized cost (including cash and cash equivalents, trade and other receivables and loans to related parties).

Other financial assets measured at fair value, including financial instruments measured at FVPL and equity securities designated at FVOCI (non-recycling) are not subject to the ECL assessment.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Credit losses from financial instruments (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

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

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

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

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

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

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognized in other comprehensive income and accumulated in the fair value reserve (recycling).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Credit losses from financial instruments (continued)

Basis of calculation of interest income

Interest income recognized in accordance with note 2(y)(iv) is calculated based on the gross carrying amout of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable theat the borrower will enter into bankruptcy or other financial reorganization;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

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

Write-off policy

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

– property, plant and equipment;

– prepayments for acquisition of property, plant and equipment;

– right-of-use assets;

– mining rights;

– goodwill;

– investments in associates and joint ventures;

– intangible assets;

– other long-term assets;

– investment in subsidiaries in the Company's statement of financial position; and

– other current assets.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) Impairment of other assets (continued)

– *Recognition of impairment losses*

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units ("CGUs") (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(p) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realizable value. Cost is calculated using the moving weighted-average method, and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Inventories (continued)

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

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

(q) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortized cost using the effective interest method less allowance for credit losses (see note 2(o)(i)) except for bills receivable.

(r) Cash and cash equivalents

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

(s) Trade and other payables

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

(t) Contract liabilities

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Interest-bearing borrowings

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

(v) Employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(w) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Income tax (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    – the same taxable entity; or

    – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognized when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(y) Revenue and other income

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

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

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

(i) Sale of goods

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Revenue and other income (continued)

(i) Sale of goods (continued)

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

(ii) Rental income from operating leases

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

(iii) Dividends

- Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognized when the share price of the investment goes ex-dividend.

(iv) Interest income

Interest income is recognized as it accrues using the effective interest method. For financial assets measured at amortized cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(o)(i)).

(v) Government grants

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(aa) Borrowing costs

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

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(bb) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognized at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures). These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognized in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortized.

(cc) Related parties

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

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

(ii) has significant influence over the Group; or

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(cc) Related parties (continued)

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

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

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

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

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

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

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

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

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

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

(dd) Segment reporting

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

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

3 ACCOUNTING JUDGMENTS AND ESTIMATES

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

Impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The Group made the assumptions that the exploitation mining right of Mozushao Phosphate deposit can be extended before it expires on 3 March 2027 in the estimation of future cash flows to be generated from the Sinchem Yunlong cash generating units (Note18). Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation are disclosed in note 18.

Provision of inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value of inventories is the expected selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. These estimates could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycles. The directors of the Company reassess these estimates at the end of each reporting period. The carrying amount of inventories was disclosed in note 23.

Provision of onerous contract

The provision for onerous contract is based on the difference between the total expected cash inflow (revenue) and the total value of future cash outflow (cost of sales) that the Group is obligated to make for the term of the contracts. Considerable amounts of estimates and judgments are required in assessing the expected revenue and expected cost of sales in the future. Where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received, onerous contract provision is recognized.

As disclosed in note 32, an onerous contract provision of RMB230,979,000 was recognized as at 31 December 2021. The key assumptions used in assessing provision include estimated commodity prices of potash fertilizer. The provision amount is highly sensitive and susceptible to the assumptions used. Any changes in any of the key assumptions used would result in increase or decrease in provision.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

Revenue represents the sales value of fertilizers and related products. Disaggregation of revenue from contracts with customers by major products is as follows:

	2021 *RMB'000*	2020 *RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15 recognized at point in time		
Disaggregated by major products		
– Sales of potash fertilizer	3,416,235	3,868,006
– Sales of nitrogen fertilizer	4,908,801	4,981,386
– Sales of compound fertilizer	5,588,956	5,703,913
– Sales of phosphate fertilizer	5,026,005	4,116,953
– Sales of monocalcium/dicalcium phosphate ("MCP/DCP")	968,164	826,843
– Sales of special fertilizer	491,972	413,785
– Others	2,241,263	1,469,854
	22,641,396	21,380,740

No revenue from a single external customer accounts for 10% or more of the Group's revenue during both years.

The Group takes advantage of practical expedient in paragraph 121 of HKFRS 15 and does not disclose the remaining performance obligation as all of the Group's sales contracts have an original expected duration of less than one year.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

The Group's operating segments based on information reported to the chief operating decision maker ("CODM") for the purpose of resource allocation and performance assessment are as follows:

- Basic fertilizers: sourcing and trading of straight fertilizers such as nitrogen, phosphate and potash

- Distribution: building of distribution channels, sourcing and selling of compound fertilizers and new type of fertilizer

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

(i) Segment results

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned made by each segment without taking into account of unallocated share of results of associates and joint ventures, unallocated expenses/income and finance costs in relation to the unallocated interest-bearing borrowings and short-term commercial paper. This is the measure reported to the Group's CODM for the purposes of resource allocation and performance assessment.

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

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

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results (continued)

2021	Basic fertilizers *RMB'000*	Distribution *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue					
External revenue	14,127,254	6,633,392	1,880,750	–	22,641,396
Internal revenue	980,688	8,762	249,786	(1,239,236)	–
Segment revenue	15,107,942	6,642,154	2,130,536	(1,239,236)	22,641,396
Share of results of associates	–	–	26,452	–	26,452
Segment profit	600,061	166,390	276,991	–	1,043,442
Unallocated share of results of associates					(13,298)
Unallocated share of results of joint ventures					184,459
Unallocated expenses					(439,588)
Unallocated income					125,107
Profit before taxation					900,122

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results (continued)

2020	Basic fertilizers *RMB'000*	Distribution *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue					
External revenue	13,350,776	6,506,377	1,523,587	–	21,380,740
Internal revenue	994,905	8,855	382,113	(1,385,873)	–
Segment revenue	14,345,681	6,515,232	1,905,700	(1,385,873)	21,380,740
Share of results of associates	–	–	(5,772)	–	(5,772)
Segment profit	510,218	150,033	225,850	–	886,101
Unallocated share of results of associates					45,792
Unallocated share of results of joint ventures					39,790
Unallocated expenses					(423,991)
Unallocated income					124,050
Profit before taxation					671,742

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Other segment information

2021	Basic fertilizers *RMB'000*	Distribution *RMB'000*	Production *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measures of segment profit:					
Impairment of trade and bills receivables	–	–	(1,165)	–	(1,165)
Impairment of other receivables and prepayments	(598)	(243)	(612)	–	(1,453)
Impairment loss on property, plant and equipment	(283)	(15,743)	(15,323)	–	(31,349)
Impairment loss on mining rights	–	–	(98,774)	–	(98,774)
Impairment loss on other current assets	–	–	(21,065)	–	(21,065)
Provision for onerous contract	(230,979)	–	–	–	(230,979)
Depreciation and amortization	(43,596)	(53,728)	(154,020)	(9,108)	(260,452)
Write-down of inventories	(12,406)	(34,432)	(5,836)	–	(52,674)
Gain on disposal of property, plant and equipment	1,317	(1,020)	29,234	–	29,531
Write-off of payables	47	84	(86)	391	436

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Other segment information (continued)

2020	Basic fertilizers *RMB'000*	Distribution *RMB'000*	Production *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measures of segment profit:					
Impairment of trade and bills receivables	(5,734)	(356)	(13)	(288)	(6,391)
Impairment of other receivables and prepayments	(11,552)	(5,247)	(1,742)	–	(18,541)
Impairment loss on property, plant and equipment	–	(11,379)	(2,581)	(2,734)	(16,694)
Impairment loss on intangible assets	–	(110)	–	–	(110)
Depreciation and amortization	(45,313)	(61,854)	(157,747)	(7,742)	(272,656)
Write-down of inventories	(11,242)	(4,558)	(5,180)	(820)	(21,800)
Loss on disposal of property, plant and equipment	(58)	(11,217)	(529)	–	(11,804)
Write-off of payables	709	426	7,677	38	8,850

(iii) Geographical information

The Group's operations are mainly located in Mainland China and Macao SAR.

Information about the Group's revenue from its operations from external customers is presented based on the customers' location of incorporation/establishment. Information about the Group's non-current assets other than other equity securities and deferred tax assets is presented based on the geographical location of the assets.

	Revenue from external customers		**Non-current assets As at 31 December**	
	2021 ***RMB'000***	2020 *RMB'000*	**2021** ***RMB'000***	2020 *RMB'000*
Mainland China	**21,972,912**	20,602,272	**6,902,732**	7,427,721
Others	**668,484**	778,468	**1,090**	1,951
	22,641,396	21,380,740	**6,903,822**	7,429,672

5 OTHER INCOME AND GAINS

	2021 *RMB'000*	2020 *RMB'000*
Rental income	8,694	7,713
Dividend income from listed equity securities	4,922	3,872
Interest income from related parties	32,080	50,534
Interest income from time deposits	–	9,363
Other interest income	16,285	62,555
Fair value changes of other financial assets	104	–
Government grants *(Note (i))*	6,679	4,264
Sales of semi-product, raw materials and scrapped materials	47,941	39,073
Release of deferred income	7,579	7,579
Insurance claims received	15,788	4,091
Write-off of payables	436	8,850
Gain on disposal of property, plant and equipment	29,531	–
Reversal of over-accrual of separation and hand-over of water/power/gas supply and property management facilities to entities designated by local government *(Note (ii))*	20,301	–
Foreign exchange gains	33,570	–
Others	13,334	14,708
	237,244	212,602

Notes:

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

(ii) In accordance with the "Notice of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance of the PRC on the Instructions for the separation and hand-over of water/power/gas supply and property management facilities in the Residential Area of Employees of the State-owned Enterprises" forwarded by the General Office of the State Council of the PRC (Guo Ban Fa [2016] No. 45) and other relevant authorities' documents, the Group has handed-over the water/power/gas supply and property management facilities to entities designated by local government. Before hand-over, the Group is responsible for modifying these facilities to be independently operated. The Group accrued modification cost in 2018 based on budgeted cost. In 2021, the Group completed the final settlement with the modification contractors and based on the actual construction cost, a reversal of over-accural of RMB20,301,000 was recognized.

6 FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest on borrowings	**55,775**	71,718
Interest on lease liabilities	**2,275**	3,144
Less: interest expense capitalized *(Note)*	**(41,051)**	(37,828)
	16,999	37,034

Note: The capitalization rate used to determine the amount of borrowing costs eligible for capitalization related to construction of production lines is 2.86% (2020: 2.60%) for the year ended 31 December 2021.

7 PROFIT BEFORE TAXATION

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

(a) Other expenses and losses

	2021	2020
	RMB'000	*RMB'000*
Impairment loss on property, plant and equipment *(Note 14)*	**31,349**	16,694
Loss on disposal of property, plant and equipment	**–**	11,804
Impairment of trade and bills receivables	**1,165**	6,391
Impairment of other receivables and prepayments	**1,453**	18,541
Write-down of inventories	**52,674**	21,800
Fair value changes of forward foreign exchange contracts	**429**	52,643
Fair value changes of other financial assets	**–**	1,609
Foreign exchange loss	**–**	9,756
Impairment loss on intangible assets	**–**	110
Impairment loss on mining rights *(Note 16)*	**98,774**	–
Impairment of other current assets *(Note 29)*	**21,065**	–
Others	**4,893**	17,586
	211,802	156,934

7 PROFIT BEFORE TAXATION (CONTINUED)

(b) Other items

	Note	2021 RMB'000	2020 RMB'000
Director's emoluments	10	18,274	21,925
Other staff benefits	a	1,001,271	770,973
Total employee benefits expenses		1,019,545	792,898
Depreciation charge			
– owned property, plant and equipment		153,786	154,501
– right-of-use assets		56,851	66,976
Amortization of mining rights		34,024	33,568
Amortization of other long-term assets		13,136	14,773
Amortization of intangible assets		2,655	2,838
Provision for onerous contract	32	230,979	–
Auditors' remuneration		3,850	3,850
Expenses relating to short-term leases and leases of low value assets, which are not included in the measurement of lease liabilities		11,729	21,089

Note:

a Contributions to retirement benefit scheme included in other staff benefits for the year ended 31 December 2021 amounted to RMB71,654,000 (2020: RMB43,920,000).

According to the Notice on Periodic Reduction and Exemption of Corporate Social Insurance (Ren She Bu Fa [2020] No.11) issued by Ministry of Human Resources and Social Security of PRC, Ministry of Finance of PRC and State Taxation Administration of PRC, some subsidiaries of the Group enjoyed a reduction of social insurance payment ranged from 50% to 100% for the period from 1 February 2020 to 31 December 2020.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2021 *RMB'000*	2020 *RMB'000*
Provision for the year	**(51,540)**	(30,089)
Under-provision in prior years	**(1,974)**	(1,947)
Deferred tax		
Origination and reversal of temporary differences	**33,899**	13,719
	(19,615)	(18,317)

(i) Pursuant to the income tax rules and regulations of Bermuda and the British Virgin Islands ("BVI"), the Group is not subject to income tax in Bermuda and the BVI.

(ii) The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year.

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

(iv) The provision for Macao SAR Profits Tax for 2021 is calculated at 12% of the estimated assessable profits for the year (the subsidiary of the Group incorporated in Macao SAR is exempted from income tax for 2020).

(v) The provision for Singapore Profits Tax for 2021 is calculated at 17% (2020: 17%) of the estimated assessable profits for the year.

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

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

	2021 *RMB'000*	2020 *RMB'000*
Profit before taxation	**900,122**	671,742
Tax calculated at the applicable tax rate of 25%	**(225,031)**	(167,936)
Effect of different income tax rates	**73,723**	47,545
Tax effect of non-deductible expenses	**(2,772)**	(10,214)
Tax effect of non-taxable income	**5,026**	290
Tax effect of share of results of associates	**3,289**	10,005
Tax effect of share of results of joint ventures	**46,115**	9,948
Effect of prior year unrecognized tax losses and deductible temporary differences recognized during the year	**98,837**	109,446
Effect of tax losses and deductible temporary difference not recognized	**(16,828)**	(15,454)
Under-provision in prior years	**(1,974)**	(1,947)
Income tax expense for the year	**(19,615)**	(18,317)

9 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	2021			2020		
	Before-tax amount *RMB'000*	Tax benefit *RMB'000*	Net-of-tax amount *RMB'000*	Before-tax amount *RMB'000*	Tax benefit *RMB'000*	Net-of-tax amount *RMB'000*
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	**122,037**	**(9,023)**	**113,014**	(74,972)	18,665	(56,307)
Exchange differences on translation of financial statements of overseas subsidiaries	**(45,591)**	**–**	**(45,591)**	(88,710)	–	(88,710)
	76,446	**(9,023)**	**67,423**	(163,682)	18,665	(145,017)

10 DIRECTORS' EMOLUMENTS

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

2021

	Fees *RMB'000*	Salaries and other benefits *RMB'000*	Performance related incentive payments *RMB'000* *(Note a)*	Retirement benefits scheme contribution *RMB'000*	Total *RMB'000*
Chairman and Non-executive director					
Mr. J. Erik FYRWALD *(Note b)*	–	–	–	–	–
Executive directors					
Mr. QIN Hengde	–	3,398	5,062	45	8,505
Mr. FENG Mingwei	–	2,064	2,735	43	4,842
Mr. Harry YANG	–	1,305	1,273	43	2,621
Independent non-executive directors					
Mr. KO Ming Tung, Edward	447	–	–	–	447
Mr. LU Xin	447	–	–	–	447
Mr. TSE Hau Yin, Aloysius	525	–	–	–	525
	1,419	6,767	9,070	131	17,387
Rental expenses for directors					
Mr. QIN Hengde					420
Mr. Harry YANG					467
					18,274

10 DIRECTORS' EMOLUMENTS (CONTINUED)

2020

	Fees RMB'000	Salaries and other benefits RMB'000	Performance related incentive payments RMB'000 (Note a)	Retirement benefits scheme contribution RMB'000	Total RMB'000
Chairman and Non-executive director					
Mr. J. Erik FYRWALD *(Note b)*					
(appointed on 2 November 2020)	–	–	–	–	–
Executive directors					
Mr. QIN Hengde	–	3,607	8,639	41	12,287
Mr. FENG Mingwei					
(appointed on 25 February 2020)	–	1,829	2,735	39	4,603
Mr. Harry YANG	–	1,296	1,273	39	2,608
Non-executive director					
Mr. YANG Lin *(Note b)*					
(resigned on 2 November 2020)	–	–	–	–	–
Independent non-executive directors					
Mr. KO Ming Tung, Edward	478	–	–	–	478
Mr. LU Xin	478	–	–	–	478
Mr. TSE Hau Yin, Aloysius	563	–	–	–	563
	1,519	6,732	12,647	119	21,017
Rental expenses for directors					
Mr. QIN Hengde					396
Mr. Harry YANG					512
					21,925

10 DIRECTORS' EMOLUMENTS (CONTINUED)

Notes:

a. The performance related incentive payments paid/payable were determined with reference to the operating results of the Group, individual performance and relevant comparable market statistics.

b. Mr. J. Erik Fyrwald, being non-executive director of the Company, had waived his director's fee of HK$443,000 (equivalent to approximately RMB368,000) for the year ended 31 December 2021.

c. No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office as a director during the years ended 31 December 2021 and 2020.

11 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2020: three) were directors of the Company, whose emoluments are disclosed in note 10. The emoluments of the remaining two (2020: two) individuals were as follows:

	2021 *RMB'000*	2020 *RMB'000*
Salaries and other benefits	2,917	2,519
Performance related incentive payment *(Note)*	4,002	4,002
Retirement benefits scheme contribution	86	68
	7,005	6,589

Note: The performance related incentive payments paid/payable were determined with reference to the operating results of the Group, individual performance and relevant comparable market statistics. The amount disclosed represented the amount paid (2020: payable) during the year.

11 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS (CONTINUED)

The emoluments of the five individuals with the highest emoluments in the Group were within the following bands:

	2021	2020
	Number of individuals	*Number of individuals*
HK$2,000,001 to HK$2,500,000	**–**	–
HK$3,000,001 to HK$3,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**1**	1
HK$4,000,001 to HK$4,500,000	**2**	1
HK$4,500,001 to HK$5,000,000	**–**	–
HK$5,000,001 to HK$5,500,000	**–**	1
HK$5,500,001 to HK$6,000,000	**1**	–
HK$10,500,001 to HK$11,000,000	**1**	–
HK$14,000,001 to HK$14,500,000	**–**	1
	5	5

12 DIVIDENDS

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

	2021	2020
	RMB'000	*RMB'000*
Proposed final dividend of HK$0.0528, equivalent to approximately RMB0.0432 per share (2020: HK$0.0327, equivalent to approximately RMB0.0275 per share)	**303,240**	193,315

The final dividend proposed after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

12 DIVIDENDS (CONTINUED)

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.0327 per share (2020: HK$0.0294).	**191,131**	187,912

13 EARNINGS PER SHARE

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

	2021	2020
	RMB'000	*RMB'000*
Earnings attributable to owners of the Company		
Earnings for the purpose of basic/diluted earnings per share	**866,612**	644,074

	2021	2020
	'000 shares	*'000 shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic/diluted earnings per share	**7,024,456**	7,024,456

The Group has no dilutive ordinary shares outstanding during the years ended 31 December 2021 and 2020. Therefore, there was no difference between basic and diluted earnings per share.

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant, machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Furniture & fixtures *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost						
At 1 January 2020	1,823,231	2,110,701	62,538	306,104	870,442	5,173,016
Exchange realignment	(19)	–	(149)	(121)	–	(289)
Additions	21,475	20,764	3,602	21,918	539,073	606,832
Transfer from construction in progress	218,869	141,139	787	9,857	(370,652)	–
Disposals	(38,563)	(141,495)	(8,154)	(8,157)	(3,439)	(199,808)
At 31 December 2020	2,024,993	2,131,109	58,624	329,601	1,035,424	5,579,751
At 1 January 2021	2,024,993	2,131,109	58,624	329,601	1,035,424	5,579,751
Exchange realignment	(9)	–	(49)	(42)	–	(100)
Additions	3,207	78,345	3,422	25,102	1,140,679	1,250,755
Transfer from construction in progress	193,813	118,026	–	1,324	(313,163)	–
Disposals	(9,242)	(88,470)	(5,562)	(6,341)	(42,423)	(152,038)
Disposal of a subsidiary *(Note 38(b))*	(36,251)	(21,607)	(109)	(103)	–	(58,070)
At 31 December 2021	2,176,511	2,217,403	56,326	349,541	1,820,517	6,620,298
Accumulated depreciation and impairment						
At 1 January 2020	(931,493)	(1,668,994)	(37,358)	(121,819)	(18,855)	(2,778,519)
Exchange realignment	8	–	99	82	–	189
Charge for the year	(49,916)	(74,719)	(5,336)	(24,530)	–	(154,501)
Impairment loss	(9,154)	(4,704)	–	(398)	(2,438)	(16,694)
Disposals	38,062	126,088	6,687	7,224	–	178,061
At 31 December 2020	(952,493)	(1,622,329)	(35,908)	(139,441)	(21,293)	(2,771,464)
At 1 January 2021	(952,493)	(1,622,329)	(35,908)	(139,441)	(21,293)	(2,771,464)
Exchange realignment	6	–	10	7	–	23
Charge for the year	(57,919)	(66,736)	(4,636)	(24,495)	–	(153,786)
Impairment loss *(Note(ii))*	(1,685)	(16,080)	–	–	(13,584)	(31,349)
Disposals	5,541	27,482	4,833	6,140	–	43,996
Disposal of a subsidiary *(Note 38(b))*	14,155	20,914	104	98	–	35,271
At 31 December 2021	(992,395)	(1,656,749)	(35,597)	(157,691)	(34,877)	(2,877,309)
Net book value						
At 31 December 2021	1,184,116	560,654	20,729	191,850	1,785,640	3,742,989
At 31 December 2020	1,072,500	508,780	22,716	190,160	1,014,131	2,808,287

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(i) Certain items of property, plant and equipment were pledged to secure banking facilities and bank loans granted to the Group as disclosed in note 33.

(ii) An impairment loss of RMB31,349,000 was provided during the year ended 31 December 2021.

i) Property, plant and equipment with carrying amount of RMB 12,628,000 as at 31 December 2021 were fully impaired due to the planned liquidation of a subsidiary.

ii) In view of the planned termination of the production of certain fertilizer products, the related production lines with a carrying amount of RMB5,137,000 were fully impaired.

iii) An impairment loss to construction in progress of RMB13,584,000 was recognized due to the rejection for the extension application of certain mining rights by relevant authorities as disclosed in Note 16.

15 RIGHT-OF-USE ASSETS

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

	Properties leased for own use, carried at depreciated cost *RMB'000*	Land use rights *RMB'000*	Total *RMB'000*
Cost			
At 1 January 2020	46,378	603,472	649,850
Additions	86,956	27,481	114,437
Lease matured	(42,258)	–	(42,258)
At 31 December 2020 and 1 January 2021	91,076	630,953	722,029
Additions	34,305	8,484	42,789
Lease matured and disposals	(59,721)	(778)	(60,499)
Disposal of a subsidiary *(Note 38(b))*	–	(25,409)	(25,409)
At 31 December 2021	65,660	613,250	678,910
Accumulated depreciation			
At 1 January 2020	(22,456)	(171,640)	(194,096)
Charge for the year	(55,347)	(11,629)	(66,976)
Lease matured	42,258	–	42,258
At 31 December 2020 and 1 January 2021	(35,545)	(183,269)	(218,814)
Charge for the year	(45,816)	(11,035)	(56,851)
Lease matured and disposals	59,721	201	59,922
Disposal of a subsidiary *(Note 38(b))*	–	6,437	6,437
At 31 December 2021	(21,640)	(187,666)	(209,306)
Net book value			
At 31 December 2021	44,020	425,584	469,604
At 31 December 2020	55,531	447,684	503,215

15 RIGHT-OF-USE ASSETS (CONTINUED)

Notes:

(i) Certain land use right was pledged to secure banking facilities granted to the Group as disclosed in note 33 (b).

(ii) The remaining lease terms of Group's land use rights ranged from 21 to 48 years (31 December 2020: 22 to 49 years).

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

	2021	2020
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
– Properties leased for own use	**45,816**	55,347
– Land use rights	**11,035**	11,629
	56,851	66,976
Interest on lease liabilities *(Note 6)*	**2,275**	3,144
Expense relating to short-term leases, other leases with remaining lease term ending on or before 31 December 2021 and leases of low-value assets	**11,729**	21,089

During the year, additions to right-of-use assets were RMB42,789,000. This amount included the purchase of land use rights of RMB8,484,000, and the remainder primarily related to the capitalized lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in note 28(b) and note 35, respectively.

16 MINING RIGHTS

	2021 *RMB'000*	2020 *RMB'000*
Cost		
At 1 January and 31 December	768,140	768,140
Accumulated amortization and impairment		
At 1 January	(288,595)	(255,027)
Charge for the year	(34,024)	(33,568)
Impairment loss	(98,774)	–
At 31 December	(421,393)	(288,595)
Net book value		
At 31 December	346,747	479,545

Note:

In September 2021, the extension application of exploitation mining right of the Group's Dawan Phosphate deposit was rejected by the relevant authorities due to environmental reasons. The directors of the Company considered that carrying amount of the Dawan Phosphate deposit was not recoverable. The carrying amount of the mining rights and certain specific construction in progress related to the deposit of RMB98,774,000 and RMB13,584,000 respectively were fully impaired during the year ended 31 December 2021.

17 INTANGIBLE ASSETS

	Software and others	
	2021	2020
	RMB'000	*RMB'000*
Cost		
At 1 January	**20,177**	–
Additions	**388**	20,177
At 31 December	**20,565**	20,177
Accumulated amortization and impairment		
At 1 January	**(2,948)**	–
Charge for the year	**(2,655)**	(2,838)
Impairment loss	**–**	(110)
At 31 December	**(5,603)**	(2,948)
Net book value		
At 31 December	**14,962**	17,229

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

18 GOODWILL

	2021 RMB'000	2020 RMB'000
Cost		
At 1 January	831,107	850,429
Exchange adjustments	(8,556)	(19,322)
Carrying amount		
At 31 December	822,551	831,107

Impairment testing on goodwill

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

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Basic fertilizers	176,402	181,580
Distribution	83,012	85,449
Production		
– Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong")	531,074	531,074
– Others	32,063	33,004
	822,551	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, estimated selling prices and selling quantities used in the cash flow forecasts. Cash flow forecasts are based on past practices and expectations of future changes in the market. The directors of the Company estimate pre-tax discount rates that reflect current market assessment of the time value of money and the risks specific relating to the CGUs. Cash flow forecasts of each CGU are derived from financial budgets of 2022 approved by the directors of the Company. The growth rates for the first 3 years from 2022 are based on the relevant CGUs past performance and management's expectation for the market development and for the following years are based on steady growth rates.

18 GOODWILL (CONTINUED)

Impairment testing on goodwill (continued)

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

	Basic fertilizers and Distribution 2021	**Production 2021**
Pre-tax discount rate	**10.7%**	**12.7%**
Steady growth rate for the following years	**3.0%**	**3.0%**

	Basic fertilizers and Distribution 2020	Production 2020
Pre-tax discount rate	9.8%	12.8%
Steady growth rate for the following years	3.0%	3.0%

The value in use calculated is higher than the carrying amount for each CGU, accordingly, no impairment of goodwill was recognized for the year ended 31 December 2021.

19 INTERESTS IN ASSOCIATES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Unlisted shares, at cost	**473,995**	473,995
Share of profits, net of dividends	**156,809**	145,050
	630,804	619,045

19 INTERESTS IN ASSOCIATES (CONTINUED)

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

Name of entities	Form of business structure	Country of incorporation and principal place of operation	Nominal value of issued capital/ registered capital	Proportion of nominal value of issued capital/registered capital and of voting power held by the Group		Principal activities
				2021	2020	
Guizhou Xinxin Industrial Holdings Group Co., Ltd. ("Xinxin Group") 貴州鑫新實業控股集團有限責任公司	Incorporated	The PRC	RMB20,000,000	**24%**	24%	Production and sales of phosphate rock
Guizhou Xinxin Coal Chemical Co., Ltd. 貴州鑫新煤化工有限責任公司	Incorporated	The PRC	RMB20,000,000	**24%**	24%	Production and sales of coal
Yangmei Pingyuan Chemical Co., Ltd. ("Yangmei Pingyuan") 陽煤平原化工有限公司	Incorporated	The PRC	RMB560,296,500	**36.75%**	36.75%	Production and sales of fertilizers
Beijing Aerospace Hengfeng Technology Corp., Ltd. 北京航天恒豐科技股份有限公司	Incorporated	The PRC	RMB89,387,137	**20%**	20%	Production and sales of fertilizers

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

	2021	2020
	RMB'000	*RMB'000*
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**630,804**	619,045
Aggregate amounts of the Group's share of those associates'		
Profit from continuing operation	**13,154**	40,020
Total comprehensive income	**13,154**	40,020

20 INTERESTS IN JOINT VENTURES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Unlisted shares, at cost	**449,300**	374,330
Share of profits, net of dividends	**204,747**	20,288
	654,047	394,618

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

Name of entities	Form of business structure	Country of incorporation and principal place of operation	Nominal value of issued capital/ registered capital	Proportion of nominal value of issued capital/ registered capital and of voting power held by the Group		Principal activities
				2021	2020	
Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. ("Three Circles-Sinochem") 雲南三環中化化肥有限公司	Incorporated	The PRC	RMB800,000,000	**40%**	40%	Sales and manufacturing of fertilizers
Gansu Wengfu Chemical Co., Ltd. ("Gansu Wengfu") 甘肅甕福化工有限責任公司	Incorporated	The PRC	RMB245,650,000	**30%**	30%	Sales and manufacturing of fertilizers
Yitong Digital Technology Co., Ltd. 益通數科科技股份有限公司	Incorporated	The PRC	RMB166,600,000	**45%**	–	Sales of fertilizers

20 INTERESTS IN JOINT VENTURES (CONTINUED)

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

	2021 ***RMB'000***	2020 *RMB'000*
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**654,047**	394,618
Aggregate amounts of the Group's share of those joint ventures'		
Profit from continuing operation	**184,459**	39,790
Total comprehensive income	**184,459**	39,790

21 OTHER EQUITY SECURITIES

	As at 31 December	
	2021 ***RMB'000***	2020 *RMB'000*
Equity securities designated at FVOCI (non-recycling)		
– Listed equity securities	**71,355**	104,990
– Unlisted equity securities	**239,389**	207,296
	310,744	312,286

22 OTHER LONG-TERM ASSETS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Activators	**30,335**	20,733
Relocation of Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd. ("Sinochem Fuling") *(Note 29)*	**–**	722,253
	30,335	742,986

23 INVENTORIES

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Fertilizer merchandise and finished goods	**4,368,810**	4,933,771
Raw materials	**339,780**	283,407
Work in progress	**49,261**	55,772
Consumables	**43,651**	50,117
	4,801,502	5,323,067

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

	2021	2020
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**20,450,415**	19,393,757
Write-down of inventories	**52,674**	21,800
	20,503,089	19,415,557

24 TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**41,297**	41,066
Less: loss allowance *(Note (b))*	**(4,212)**	(3,047)
	37,085	38,019
Bills receivable	**700,468**	544,750
Less: loss allowance *(Note (b))*	**(11,050)**	(11,050)
	689,418	533,700
Total trade and bills receivables, net of loss allowance	**726,503**	571,719

As at 31 December 2021, the bills receivable that the Group has endorsed or discounted and de-recognized but not yet matured amounted to RMB345,869,000 (2020: RMB426,685,000).

(a) Aging analysis of trade and bills receivables

The Group allows a credit period of 0-90 days to its trade customers. As at the end of the reporting period, the aging analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date is as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**269,859**	283,554
More than 3 months but within 6 months	**346,946**	265,122
More than 6 months but within 12 months	**103,804**	14,978
Over 12 months	**5,894**	8,065
	726,503	571,719

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

24 TRADE AND BILLS RECEIVABLES (CONTINUED)

(b) Loss allowance of trade and bills receivables

The movements in the loss allowance in respect of trade and bills receivables during the year are as follows:

	2021 *RMB'000*	2020 *RMB'000*
Balance at 1 January	14,097	7,993
Impairment recognized	1,165	6,391
Write-off of uncollectible receivables	–	(287)
Balance at 31 December	15,262	14,097

25 OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2021 *RMB'000*	2020 *RMB'000*
Other receivables	258,912	218,454
Less: loss allowance *(Note)*	(46,719)	(66,201)
	212,193	152,253
Prepayments for inventories	1,378,509	1,499,775
Other prepayments	27,222	28,636
Deductible input VAT	324,766	265,090
Other receivables and prepayments	1,942,690	1,945,754

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

	2021 *RMB'000*	2020 *RMB'000*
Balance at 1 January	66,201	48,402
Impairment recognized	1,453	18,541
Write-off of uncollectible receivables	(20,935)	(742)
Balance at 31 December	46,719	66,201

26 LOANS TO RELATED PARTIES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Sinochem Agriculture Holdings Limited ("Sinochem Agriculture") *(Note)*	**620,000**	950,000
Yangmei Pingyuan	**–**	670,000
Total loans to related parties	**620,000**	1,620,000
Less: amount due within one year	**620,000**	670,000
	–	950,000

Note: The entrusted loans lent to Sinochem Agriculture, a subsidiary of Sinochem Holdings, through Sinochem Finance Co., Ltd. ("Sinochem Finance") of RMB620,000,000 are guaranteed by Sinochem Group, bear fixed interest rate of 3.85% (2020: 3.85%) per annum and are repayable within one year.

27 OTHER FINANCIAL ASSETS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Financial assets measured at FVPL – nitrogen fertilizer futures	**2,737**	4,657

28 CASH AND BANK BALANCES

(a) Cash and cash equivalents comprise:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cash at bank	**1,313,892**	762,548
Cash and cash equivalents in the consolidated statement of cash flows	**1,313,892**	762,548

28 CASH AND BANK BALANCES (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

	Bank loans *RMB'000* *(Note 33)*	Short-term commercial paper *RMB'000* *(Note 34)*	Lease liabilites *RMB'000* *(Note 35)*	Interest payable *RMB'000*	Total *RMB'000*
At 1 January 2021	714,297	1,000,000	52,927	15,248	1,782,472
Changes from financing cash flows:					
Proceeds from bank and other loans	4,072,659	–	–	–	4,072,659
Repayment of bank and other loans	(3,745,741)	–	–	–	(3,745,741)
Proceeds from short-term commercial paper	–	3,600,000	–	–	3,600,000
Repayment of short-term commercial paper	–	(4,600,000)	–	–	(4,600,000)
Capital element of lease rentals paid	–	–	(34,706)	–	(34,706)
Interest element of lease rentals paid	–	–	(2,275)	–	(2,275)
Other Interest paid	–	–	–	(69,803)	(69,803)
Total changes from financing cash flows	326,918	(1,000,000)	(36,981)	(69,803)	(779,866)
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	–	34,305	–	34,305
Interest expenses *(Note 6)*	–	–	2,275	55,775	58,050
At 31 December 2021	1,041,215	–	52,526	1,220	1,094,961

28 CASH AND BANK BALANCES (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (continued)

	Bank loans *RMB'000* *(Note 33)*	Short-term commercial paper *RMB'000* *(Note 34)*	Lease liabilites *RMB'000* *(Note 35)*	Interest payable *RMB'000*	Total *RMB'000*
At 1 January 2020	–	2,400,000	24,351	30,744	2,455,095
Changes from financing cash flows:					
Proceeds from bank and other loans	2,401,851	–	–	–	2,401,851
Repayment of bank and other loans	(1,687,554)	–	–	–	(1,687,554)
Proceeds from short-term commercial paper	–	2,800,000	–	–	2,800,000
Repayment of short-term commercial paper	–	(4,200,000)	–	–	(4,200,000)
Capital element of lease rentals paid	–	–	(58,380)	–	(58,380)
Interest element of lease rentals paid	–	–	(3,144)	–	(3,144)
Other Interest paid	–	–	–	(87,214)	(87,214)
Total changes from financing cash flows	714,297	(1,400,000)	(61,524)	(87,214)	(834,441)
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	–	86,956	–	86,956
Interest expenses *(Note 6)*	–	–	3,144	71,718	74,862
At 31 December 2020	714,297	1,000,000	52,927	15,248	1,782,472

28 CASH AND BANK BALANCES (CONTINUED)

(c) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2021 *RMB'000*	2020 *RMB'000*
Within operating cash flows	11,729	21,089
Within investing cash flows	8,484	27,481
Within financing cash flows	36,981	61,524
	57,194	110,094

These amounts relate to the following:

	2021 *RMB'000*	2020 *RMB'000*
Lease rentals paid	48,710	82,613
Purchase of land use rights	8,484	27,481
	57,194	110,094

29 OTHER CURRENT ASSETS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Relocation of Sinochem Fuling	**796,082**	–
Less: impairment loss	**(21,065)**	–
	775,017	–

The government of Fuling District in Chongqing ("the Government") and the Group entered into a relocation agreement ("the relocation agreement") on 6 August 2019. Pursuant to the relocation agreement, Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd. ("Sinochem Fuling"), a subsidiary of the Group, will relocate its factories in Nananpu, demolish the buildings, restore the land and return it to the Government no later than June 2021. In return, the Government will compensate the losses of Sinochem Fuling arising from the relocation, with a cap of RMB1 billion, after the use right of the land was transferred to the Government.

Sinochem Fuling started demolishing the factory in November 2019. The carrying amounts of the related property, plant and equipment and also the land lease prepayment ("the relocation assets") were reclassified as other long-term assets during the year of 2019 *(note 22)*. Based on current estimation, the directors of the Company expect that the relocation will be completed by December 2022. The Group reclassified the related assets as other current assets and assessed the recoverable amount of the assets based on the compensation receivable and additional expenses to be incurred, an impairment loss of RMB21,065,000 was recognized during the year ended 31 December 2021.

30 TRADE AND BILLS PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade payables	**1,437,274**	1,460,142
Bills payable	**975,223**	965,537
Trade and bills payables	**2,412,497**	2,425,679

As at 31 December 2021, the aging analysis of trade and bills payables presented based on the invoice date is as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**1,785,099**	1,661,239
More than 3 months but within 6 months	**482,616**	446,285
More than 6 months but within 12 months	**115,935**	285,494
Over 12 months	**28,847**	32,661
	2,412,497	2,425,679

31 CONTRACT LIABILITIES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Contract liabilities		
Sales of goods		
– Amounts due to customer for advance received	**3,319,138**	3,680,473

Movements in contract liabilities

	2021	2020
	RMB'000	*RMB'000*
Balance at 1 January	**3,680,473**	2,263,578
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the period	**(3,648,562)**	(2,237,585)
Increase in contract liabilities as a result of receiving sales deposits during the year	**3,287,227**	3,654,480
Balance at 31 December	**3,319,138**	3,680,473

32 OTHER PAYABLES AND PROVISION

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Payroll payables	**162,768**	59,419
Interest payables	**1,220**	15,248
Dividends payable	**24,064**	24,064
Payables for purchase of property, plant and equipment and land use rights	**80,781**	107,618
Other taxes payables *(Note(i))*	**511,376**	91,047
Others	**296,026**	307,181
Financial liabilities measured at amortized cost	**1,076,235**	604,577
Fair value of forward foreign exchange contracts *(Note 40(f))*	**429**	52,643
Provision for onerous contract *(Note(ii))*	**230,979**	–
	1,307,643	657,220

Notes:

(i) Other taxes paybles mainly include the output VAT collected from customers to be paid upon the completion of sales transactions.

(ii) As at 31 December 2021, the Group recognised a provision of RMB230,979,000 (2020: Nil) in cost of sales for onerous contract in relation to certain non-cancellable purchase commitment of potash fertilizer.

33 BANK LOANS

(a) The analysis of the carrying amount of bank loans is as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Bank loans, unsecured	**52,215**	714,297
Bank loan, secured *(Note)*	**989,000**	–
	1,041,215	714,297

Note:

The loan bears interest at five-year Loan Prime Rate ("LPR") per annum and will matue in 2028. The loan was secured by certain property, plant and equipment with carrying amount of RMB145,871,000 held by the Group.

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**52,215**	714,297
After 1 year but within 2 years	**89,000**	–
After 2 years but within 5 years	**700,000**	–
After 5 years	**200,000**	–
	989,000	–
	1,041,215	714,297
Less: amounts due within 1 year shown under current liabilities	**(52,215)**	(714,297)
Amount shown under non-current liabilities	**989,000**	–

33 BANK LOANS (CONTINUED)

(a) The analysis of the carrying amount of bank loans is as follows: (Continued)

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Variable-rate borrowings	**3.20%-4.65%**	–
Fixed-rate borrowings	**–**	3.55%-3.85%

(b) Unutilized banking facilities

As at the end of the reporting period, the Group has the following unutilized banking facilities:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Expiring within 1 year	**15,621,791**	14,624,237
Expiring beyond 1 year	**6,583,365**	9,109,593
	22,205,156	23,733,830

At 31 December 2021, certain property, plant and equipment and land use right with carrying values of approximately RMB3,240,000 (2020: RMB3,911,000) were pledged to secure banking facilities granted to the Group.

34 SHORT-TERM COMMERCIAL PAPER

Short-term commercial paper as at 31 December 2020 represents short-term commercial paper which was issued by a PRC subsidiary of the Group with principal of RMB1 billion on 21 April 2020, bears an interest rate of 2.20% per annum and was fully settled on 15 January 2021.

35 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**33,005**	40,524
After 1 year but within 2 years	**11,332**	9,134
After 2 years but within 5 years	**8,189**	3,269
	19,521	12,403
	52,526	52,927

36 DEFERRED TAX ASSETS/LIABILITIES

The following is the analysis of the deferred tax balances for financial reporting purpose:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Deferred tax assets	**80,656**	89,329
Deferred tax liabilities	**(138,073)**	(171,622)
	(57,417)	(82,293)

36 DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

(a) Deferred tax assets and liabilities recognized:

Deferred tax assets and liabilities recognized and movements thereon during the current and prior years are as follows:

	Fair value adjustment on business combination	Revaluation of other equity securities	Unrealized profits in inventories	Impairments	Tax losses	Other	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	(183,591)	6,057	947	10,604	48,306	3,000	(114,677)
Credited/(charged) to profit or loss for the year	11,969	–	(173)	345	627	951	13,719
Credited to reserves for the year	–	18,665	–	–	–	–	18,665
At 31 December 2020 and 1 January 2021	(171,622)	24,722	774	10,949	48,933	3,951	(82,293)
Credited/(charged) to profit or loss for the year	33,549	–	(325)	158	290	227	33,899
Charged to reserves for the year	–	(9,023)	–	–	–	–	(9,023)
At 31 December 2021	(138,073)	15,699	449	11,107	49,223	4,178	(57,417)

By reference to financial budgets, the management of the Group believes that there will be sufficient future taxable profits or taxable temporary differences available in the future to utilize the deferred tax assets.

36 DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

(b) Deferred tax assets not recognized

No deferred tax assets were recognized on the tax losses of approximately RMB3,013,371,000 as of 31 December 2021 (2020: RMB6,833,144,000) as the Group determines that the realization of the related tax benefit through future taxable profits is not probable.

The unrecognized tax losses will expire in the following years:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
2021	**–**	3,850,899
2022	**2,291,112**	2,291,112
2023	**37,837**	37,837
2025	**6,250**	6,250
2026	**22,896**	-
No expiry	**655,276**	647,046
	3,013,371	6,833,144

(c) Deferred tax liabilities not recognized

Under the tax laws of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries to overseas investors from 1 January 2008 onwards. As the Company controls the dividend policy of its PRC subsidiaries, it has the ability to control the timing of the reversal of temporary differences associated with the investment in subsidiaries. Furthermore, the Company has determined that those profits earned by its PRC subsidiaries will not be distributed to overseas investors in the foreseeable future. As such, deferred taxation has not been provided for in respect of temporary differences attributable to accumulated profits of PRC subsidiaries of RMB695,450,000 at 31 December 2021 (2020: RMB535,230,000).

37 ISSUED EQUITY

(a) The issued equity of the Group:

	2021 *RMB'000*	2020 *RMB'000*
At 1 January/At 31 December		
Issued shares of HK$0.10 each and share premium	5,887,384	5,887,384

The amount of issued equity of the Group as at 31 December 2021 and 2020 includes share capital and share premium in the consolidated statement of financial position.

(b) The details of share capital of the Company are as follows:

	2021			2020		
	Number of shares *'000*	Nominal value *HK$'000*	Equivalent to *RMB'000*	Number of shares *'000*	Nominal value *HK$'000*	Equivalent to *RMB'000*
Authorized:						
Ordinary shares par value of HK$0.10 each	80,000,000	8,000,000		80,000,000	8,000,000	
Issued and fully paid:						
At 1 January and at 31 December	7,024,456	702,446	691,750	7,024,456	702,446	691,750

	Number of shares	Nominal Value *HK$'000*
Preference shares		
Authorized:		
Preference shares of HK$1,000,000 each	316	316,000

No preference shares were issued at 31 December 2021 and 2020.

38 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 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

(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.

39 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from previous years.

The Group monitors its capital structure on the basis of debt-to-equity ratio, which is calculated based on interest-bearing debt divided by total equity. The debt-to-equity ratio of the Group as at 31December 2021 was 12.17% (2020: 21.64%).

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of existing debt.

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivable is limited because the counterparties are mainly banks and financial institutions for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in note 44, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum expose to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 44.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 0-90 days from the date of billing.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	As at 31 December 2021		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
within 1 year	**0.07%**	**36,966**	**(25)**
more than 1 year but within 2 years	**17.24%**	**29**	**(5)**
more than 2 years but within 3 years	**69.39%**	**392**	**(272)**
more than 3 years	**100.00%**	**3,910**	**(3,910)**
		41,297	**(4,212)**

	As at 31 December 2020		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
within 1 year	0.05%	35,704	(17)
more than 1 year but within 2 years	15.69%	1,452	(228)
more than 2 years but within 3 years	25.36%	–	–
more than 3 years	71.66%	3,910	(2,802)
		41,066	(3,047)

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of credit borrowings.

The Group relies on borrowings as a significant source of liquidity. As at 31 December 2021, the Group has available unutilized bank loan facilities of approximately RMB19,214,700,000 (2020: approximately RMB23,733,830,000). Details are set out in note 33(b).

The following table details the Group's remaining contractual maturity for its financial liabilities based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows based on the contractual undiscounted payments of the Group's financial liabilities at the end of the reporting period.

	2021					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	2,412,497	–	–	–	2,412,497	2,412,497
Other payables	1,076,664	–	–	–	1,076,664	1,076,664
Bank loans	99,700	133,815	783,174	204,414	1,221,103	1,041,215
Lease liabilities	34,814	11,981	8,361	–	55,156	52,526
	3,623,675	145,796	791,535	204,414	4,765,420	4,582,902

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

	2020				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	2,425,679	–	–	2,425,679	2,425,679
Other payables	657,220	–	–	657,220	657,220
Bank loans	738,151	–	–	738,151	714,297
Short-term commercial paper	1,000,904	–	–	1,000,904	1,000,000
Lease liabilities	42,723	9,740	3,631	56,094	52,927
	4,864,677	9,740	3,631	4,878,048	4,850,123

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to fair value interest rate risk in relation to variable-rate borrowings (see notes 33 for details of the borrowings). Cash flow interest rate risk in relation to bank balances and pledged bank deposits is considered insignificant. Interest rate risk is managed by the management of the Group on an ongoing basis with the primary objective of limiting the extent to which interest expense could be affected by adverse movement in interest rates.

Sensitivity analysis

At 31 December 2021, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB5,206,000 (2020: RMB8,571,000). Other components of consolidated equity would have increased/decreased by nil (2020: nil) in response to the general increase/decrease in interest rates.

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (continued)

Sensitivity analysis (continued)

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from variable-rate borrowings held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. Since the Group has no variable-rate borrowings at the end of 2020, no sensitivity analysis about interest rates risk is prepared.

(d) Currency risk

Several subsidiaries of the Group have foreign currency transactions, which expose the Group to currency risk. Since the monetary items denominated in foreign currencies are not significant, the Group considers the currency risk was insignificant. The management manages its currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

Monetary assets and monetary liabilities denominated in foreign currency including mainly cash and bank balances, trade payables, other payables and borrowings that are subject to currency risk at the end of the reporting period are as follows, differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded:

	Assets		**Liabilities**	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
US$	**150,885**	95,523	**207,575**	387,039

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2021			2020		
	Increase/ (decrease) in foreign exchange rates	Effect on results of the year and retained profits	Effect on other components of equity	Increase/ (decrease) in foreign exchange rates	Effect on results of the year and retained profits	Effect on other components of equity
		RMB'000	*RMB'000*		*RMB'000*	*RMB'000*
US$	10%	(5,669)	–	10%	(29,152)	–
	(10%)	5,669	–	(10%)	29,152	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' results of year and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2020.

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments held for non-trading purpose.

The Group's listed investment is listed on the Stock Exchange of Hong Kong Limited. The directors of the Company closely monitor the share price movements of those securities relating to the investments in order to minimize the Group's exposure to the price risk.

All of the Group's unquoted investments are held for long-term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

Sensitivity analysis

If the prices of the respective listed equity instruments increased/(decreased) of 10% (2020: 10%), the Group's other comprehensive income after tax and other components of consolidated equity would have increased/decreased by approximately RMB7,136,000 (2020: RMB10,499,000) as a result of the increase/decrease in fair value of equity securities. The sensitivity analysis has been determined based on the exposure to equity price risks at the end of the reporting period. The analysis is performed on the same basis for 2020.

(f) Fair value

(i) Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(f) Fair value (continued)

(i) Financial assets and liabilities measured at fair value (continued)

	Fair value at 31 December 2021	Fair value measurements as at 31 December 2021 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Listed equity securities	71,355	71,355	–	–
Unlisted equity securities	239,389	–	–	239,389
Other financial assets - nitrogen fertilizer futures	2,737	–	2,737	–
Bills receivable	90,355	–	–	90,355
Forward foreign exchange contracts	(429)	–	(429)	–
Total	403,407	71,355	2,308	329,744

	Fair value at 31 December 2020	Fair value measurements as at 31 December 2020 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*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)	–
Total	294,533	104,990	(47,986)	237,529

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(f) Fair value (continued)

(i) Financial assets and liabilities measured at fair value (continued)

During the years ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which the occur.

Information about Level 2 fair value measurements

- The fair value of 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 of year end.

Information about Level 3 fair value measurements

- 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.

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(f) Fair value (continued)

(i) Financial assets and liabilities measured at fair value (continued)

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

	2021 *RMB'000*	2020 *RMB'000*
Unlisted equity securities:		
At 1 January	207,296	283,289
Changes in fair value during the year	32,093	(74,661)
Disposal	–	(1,332)
At 31 December	239,389	207,296

	2021 *RMB'000*	2020 *RMB'000*
Bills receivable		
At 1 January	30,233	369,085
Net increase/(decrease)	60,122	(338,852)
At 31 December	90,355	30,233

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

The directors of the Company consider there is no significant difference between the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements and their fair values.

41 CONTINGENT LIABILITIES

At 31 December 2021 and 2020, the Group had no material contingent liabilities.

42 COMMITMENTS

Capital commitment

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Contracted but not provided for		
– Property, plant and equipment	**1,092,504**	1,108,545
Authorized but not contracted for		
– Property, plant and equipment	**896,365**	1,120,537
	1,988,869	2,229,082

43 RELATED PARTY TRANSACTIONS

The major related parties that had transactions with the Group during the year ended 31 December 2021 and 2020 were as follows:

Indirect holding companies

China National Chemical Corporation Limited ("ChemChina", ultimate holding company before 16 September 2021) *(Note)*
(中國化工集團有限公司)

Syngenta Group Co., Ltd.
(先正達集團股份有限公司)

Ultimate holding company from 16 September 2021

Sinochem Holdings *(Note)*
(中國中化控股有限責任公司)

43 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 from 16 September 2021)
(北京凱晨置業有限公司)

Sinochem Finance (fellow subsidiary from 16 September 2021)
(中化集團財務有限責任公司)

Sinochem Agriculture
(中化現代農業有限公司)

China National Seed Group Co., Ltd.
(中國種子集團有限公司)

Andorra (Beijing) Agricultural Technology Co., Ltd.
(安道麥 (北京) 農業技術有限公司)

Syngenta (China) Investment Co., Ltd.
(先正達 (中國) 投資有限公司)

Sinochem Hong Kong (Group) Co., Ltd. ("Sinochem Hong Kong", fellow subsidiary from 16 September 2021)
(中化香港 (集團) 有限公司)

ADAMA Anpon (Jiangsu) Ltd.
(安道麥輝豐(江蘇)有限公司)

Adama Huifeng (Shanghai) Agricultural Technology Co., Ltd
(安道麥輝豐(上海)農業技術有限公司)

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

Winall Hi-tech Seed Co.,Ltd.
(安徽荃銀高科種業股份有限公司)

43 RELATED PARTY TRANSACTIONS (CONTINUED)

Fellow subsidiaries (continued)

Guangdong Jindao Breed Industry Co.,Ltd.
(廣東省金稻種業有限公司)

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

Sinochem Group Co.,Ltd. (fellow subsidiary from 16 September 2021)
(中國中化集團有限公司)

Sinochem Hebei Co.,Ltd. (fellow subsidiary from 16 September 2021)
(中化河北有限公司)

Jiangsu Yangnong Chemical Group Co.,Ltd. (fellow subsidiary from 16 September 2021)
(江蘇揚農化工集團有限公司)

Beijing Junmao Real Estate Co.,Ltd. (fellow subsidiary from 16 September 2021)
(北京俊茂置業有限公司)

Ningxia Ruitai Technology Co.,Ltd. (fellow subsidiary from 16 September 2021)
(寧夏瑞泰科技股份有限公司)

Associates

Yangmei Pingyuan
(陽煤平原化工有限公司)

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

Joint ventures

Three Circles-Sinochem
(雲南三環中化化肥有限公司)

Gansu Wengfu
(甘肅甕福化工有限責任公司)

43 RELATED PARTY TRANSACTIONS (CONTINUED)

Associate of a fellow subsidiary from 16 September 2021
Qinghai Salt Lake Industry Co., Ltd.
(青海鹽湖工業股份有限公司)

Associates of indirect holding companies
Beidahuang Agricultural
(黑龍江北大荒農化科技有限公司)

Henan Junhua Development Co.,Ltd.
(河南駿化發展股份有限公司)

Note:

On 31 March 2021, the State Council approved the merger of ChemChina and Sinochem Group Co. Ltd. and they will operate as separate subsidiaries of a newly created holding company, Sinochem Holdings. The equity transfer of ChemChina and Sinochem Group Co. Ltd. into the new holding company was completed on 16 September 2021.

43 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) In addition to the transactions disclosed elsewhere in the financial statements, the Group entered into the following significant transactions with its ultimate holding company, Sinochem Group and other related parties during the year:

	2021 *RMB'000*	2020 *RMB'000*
Sales of fertilizers to		
Joint ventures	128,591	85,993
Associates	–	4,316
Associates of indirect holding companies	42,826	–
An associate of the ultimate holding company	–	4,861
Fellow subsidiaries	734,429	478,277
	905,846	573,447
Purchases of fertilizers from		
The then ultimate holding company	–	23,732
Joint ventures	1,489,280	1,214,570
An associate	2,809	398
An associate of the then ultimate holding company	–	574,650
An associate of the ultimate holding company	–	50,482
A subsidiary of a shareholder with significant influence over the company	–	565,244
Fellow subsidiaries	381,107	163,768
Associates of indirect holding companies	73,247	–
An associate of a fellow subsidiary	189,526	–
	2,135,969	2,592,844
Import service fee payable to a fellow subsidiary	12,260	15,857
Rental and management fee payable to		
The then immediate holding company	–	1,285
A fellow subsidiary	3,520	14,158
	3,520	15,443

43 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) **In addition to the transactions disclosed elsewhere in the financial statements, the Group entered into the following significant transactions with its ultimate holding company, Sinochem Group and other related parties during the year: (continued)**

	2021 *RMB'000*	2020 *RMB'000*
Loans to related parties		
An associate	–	670,000
A fellow subsidiary	–	1,250,000
	–	1,920,000
Repayments of loans to		
An associate	670,000	670,000
A fellow subsidiary	330,000	550,000
	1,000,000	1,220,000
Interest income from related parties		
An associate	10,134	38,878
A fellow subsidiary	21,946	11,656
	32,080	50,534
Guarantee charges from an associate	6,700	–
Loans from fellow subsidiaries	–	1,115,000
Repayments of loans from fellow subsidiaries	–	1,115,000
Interest expenses for loans from fellow subsidiaries	–	9,489
Service fee to a fellow subsidiary	626	–
Interests income of financial assets and deposits from a fellow subsidiary	1,861	2,083

43 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**2,182**	272
Other receivables and prepayments	**412,468**	50,643
Trade and bills payables	**654,597**	149,172
Other payables	**671**	47,976
Contract liabilities	**180,881**	117,474
Loans to related parties	**620,000**	1,620,000
Cash and cash equivalents	**934,148**	–

(c) Compensation of key management personnel

Key management personnel are Group's directors and senior executives. Remuneration paid or payable to the directors was disclosed in note 10, and was determined by the Remuneration Committee according to individual performance and relevant comparable market statistics. Remuneration paid or payable to senior executives is as follows:

	2021	2020
	RMB'000	*RMB'000*
Salaries and other benefits	**6,036**	5,136
Performance related incentive payment	**7,669**	7,852
Retirement benefits scheme contribution	**225**	175
	13,930	13,163

(Expressed in RMB unless otherwise indicated)

43 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel (continued)

The emoluments of senior executives were within the following bands:

	2021 *Number of individuals*	2020 *Number of individuals*
Nil to HK$1,000,000	–	1
HK$2,000,001 to HK$2,500,000	1	3
HK$2,500,001 to HK$3,000,000	1	–
HK$3,000,001 to HK$3,500,000	1	1
HK$4,000,001 to HK$4,500,000	2	1
	5	6

(d) Transactions/balances with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by Chinese government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under ChemChina (before 16 September 2021) and Sinochem Holdings (from 16 September 2021) which are controlled by Chinese government. Apart from the transactions with ChemChina (before 16 September 2021), Sinochem Holdings (from 16 September 2021) 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.

43 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Transactions/balances with other state-controlled entities in the PRC (continued)

At the end of the reporting period, the Group had the following significant balances with other government-related entities in the PRC.

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade and bills receivables	**–**	5,369
Other receivables and prepayments	**251,738**	633,452
Trade and bills payables	**19,367**	476,225
Other payables	**305**	168
Contract liabilities	**170,811**	198,867

During the year, the Group had the following significant transactions with other government-related entities as follows:

	2021	2020
	RMB'000	*RMB'000*
Sales of fertilizers	**1,135,269**	1,423,689
Purchases of fertilizers	**2,628,404**	5,241,516

In addition, the Group has entered into various transactions, including deposits placements, borrowings and other banking facilities, with certain banks that are government-related entities in its ordinary course of business. In view of the nature of those banking transactions, the directors of the Company are of the opinion that separate disclosure would not be meaningful.

Except for amounts and transactions disclosed above, the directors of the Company are of the opinion that transactions with other government-related entities are not significant to the Group's operations.

(Expressed in RMB unless otherwise indicated)

44 GUARANTEE

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

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 RMB 670 million for the outstanding loans provided by Sinochem Finance to Yangmei Pingyuan (an associate of Sinochem Fertilizer).

45 PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at 31 December 2021 and 2020:

Name of subsidiaries	Place of incorporation/ registration	Place of principal operation	Nominal value of issued capital/ registered capital	Proportion ownership interest held by the Group		Principal activities
				2021	2020	
Calorie Ltd.	Hong Kong	Hong Kong	34,000 shares	100%	100%	Investment holding
Sinochem Fertilizer *(Note a)* (中化化肥有限公司)	The PRC	The PRC	RMB10,600,000,000	100%	100%	Fertilizer trading
Dohigh Trading Limited (敦尚貿易有限公司)	Hong Kong	Hong Kong	15,000,000 shares	100%	100%	Fertilizer trading
Sinochem Fertilizer Macao Limited (中化化肥澳門有限公司)	Macao SAR	Macao SAR	100,000 shares	100%	100%	Fertilizer trading
Suifenhe Xinkaiyuan Trading Co., Ltd. *(Note c)* (綏芬河新凱源貿易有限公司)	The PRC	The PRC	RMB5,000,000	100%	100%	Fertilizer trading
Fujian Sinochem Zhisheng Chemical Fertilizer Co., Ltd. *(Note c)* (福建中化智勝化肥有限公司)	The PRC	The PRC	RMB47,000,000	53.19%	53.19%	Sales and manufacturing of fertilizers
Sinochem Fuling *(Note c)* (中化重慶涪陵化工有限公司)	The PRC	The PRC	RMB1,058,000,000	74.56%	73.78%	Sales and manufacturing of fertilizers

(Expressed in RMB unless otherwise indicated)

45 PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation/ registration	Place of principal operation	Nominal value of issued capital/ registered capital	Proportion ownership interest held by the Group 2021	2020	Principal activities
Sinochem Yunlong *(Note c)* (中化雲龍有限公司)	The PRC	The PRC	RMB500,000,000	100%	100%	Sales and manufacturing of feeds stuff
Sinochem Yantai Crop Nutrition Co., Ltd. *(Note b)* (中化 (煙台) 作物營養有限公司)	The PRC	The PRC	US$1,493,000	100%	100%	Sales and manufacturing of fertilizers
Manzhouli Kaiming Fertilizer Co., Ltd. *(Note c)* (滿洲里凱明化肥有限公司)	The PRC	The PRC	RMB5,000,000	100%	100%	Fertilizer trading
Sinochem Jilin Changshan Chemical Co.,Ltd. *(Note c)* (中化吉林長山化工有限公司)	The PRC	The PRC	RMB2,838,650,000	98.16%	98.16%	Sales and manufacturing of fertilizers
Sinochem Agricultural Ecological Technology (Hubei) Co., Ltd. *(Note c)* (中化農業生態科技 (湖北) 有限公司)	The PRC	The PRC	RMB300,000,000	98%	98%	Sales and manufacturing of fertilizers
Sinochem Shandong Fertilizer Co., Ltd. *(Note c)* (中化山東肥業有限公司)	The PRC	The PRC	RMB100,000,000	51%	51%	Sales and manufacturing of fertilizers
Sinochem Agriculture (Xinjiang) Biotech Co., Ltd. *(Note c)* (中化農業 (新疆) 生物科技有限公司)	The PRC	The PRC	RMB150,000,000	100%	100%	Sales and manufacturing of fertilizers
Sinochem Agriculture (Linyi) R&D Centre Co., Ltd. *(Note c)* (中化農業 (臨沂) 研發中心有限公司)	The PRC	The PRC	RMB122,300,000	100%	100%	Development of agriculture products
Sinochem Fertilizer Singapore PTE. LTD.	Singapore	Singapore	6,605,000 shares	100%	100%	Sales of fertilizers
Sinochem Agricultural Ecological (Hainan) Co., Ltd. *(Note a)* (中化(海南)農業生態有限公司)	The PRC	The PRC	RMB750,000,000	100%	100%	Fertilizer trading
Sinochem Linyi Crop Nutrition Co., Ltd. *(Note a)* (中化(臨沂)作物營養有限公司)	The PRC	The PRC	US$10,000,000	100%	100%	Fertilizer trading

45 PRINCIPAL SUBSIDIARIES (CONTINUED)

Note a: Foreign invested enterprise

Note b: Sino-foreign enterprise

Note c: Domestic company

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

The directors of the Company are of the opinion that none of its subsidiaries has non-controlling interests material to the Group.

46 RETIREMENT BENEFITS SCHEME CONTRIBUTION

According to the relevant laws and regulations in the Mainland China, Hong Kong and Macao SAR, the Group's certain subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The contribution to fund the retirement benefits of the employees are calculated based on certain percentage of the average employee salary as agreed by local municipal government to the scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contribution under the schemes. Contributions to the schemes vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

47 INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Non-current assets		
Investments in subsidiaries	**4,173,057**	4,295,553
Amounts due from subsidiaries	**1,550,293**	1,798,096
Right-of-use assets	**621**	196
Other non-current assets	**618,219**	626,108
	6,342,190	6,719,953
Current assets		
Cash and bank balances	**3,196**	1,306
Current liabilities	**15,018**	14,690
Net current liabilities	**(11,822)**	(13,384)
Total assets less current liabilities	**6,330,368**	6,706,569
Non-current liabilities	**193**	–
NET ASSETS	**6,330,175**	6,706,569
CAPITAL AND RESERVE		
Issued equity	**5,887,384**	5,887,384
Contributed surplus	**1,391,058**	1,582,189
Exchange reserve	**(953,785)**	(765,821)
Retained earnings	**5,518**	2,817
TOTAL EQUITY	**6,330,175**	6,706,569

47 INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Issued equity *RMB'000*	Contributed surplus *RMB'000*	Exchange reserve *RMB'000*	Retained earnings *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2020	5,887,384	1,770,101	(336,458)	2,277	7,323,304
Changes in equity for 2020					
Profit for the year	–	–	–	540	540
Other comprehensive income for the year	–	–	(429,363)	–	(429,363)
Dividends approved in respect of the previous year *(Note 12)*	–	(187,912)	–	–	(187,912)
Balance at 31 December 2020 and 1 January 2021	5,887,384	1,582,189	(765,821)	2,817	6,706,569
Changes in equity for 2021					
Profit for the year	–	–	–	2,701	2,701
Other comprehensive income for the year	–	–	(187,964)	–	(187,964)
Dividends approved in respect of the previous year *(Note 12)*	–	(191,131)	–	–	(191,131)
Balance at 31 December 2021	5,887,384	1,391,058	(953,785)	5,518	6,330,175

(Expressed in RMB unless otherwise indicated)

48 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.

49 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1, *Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**22,641,396**	21,380,740	22,950,942	22,996,328	17,643,812
Profit/(loss) before tax	**900,122**	671,742	650,325	451,132	(2,269,946)
Income tax	**(19,615)**	(18,317)	(5,993)	37,833	(10,938)
Profit/(loss) for the year	**880,507**	653,425	644,332	488,965	(2,280,884)
Profit/(loss) attributable to					
– Owners of the Company	**866,612**	644,074	615,767	460,486	(2,207,504)
– Non-controlling interests	**13,895**	9,351	28,565	28,479	(73,380)
	880,507	653,425	644,332	488,965	(2,280,884)

	At 31 December				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**17,494,493**	17,109,032	16,873,775	17,607,429	22,317,633
Total liabilities	**(8,510,769)**	(8,942,481)	(9,172,375)	(10,366,450)	(15,690,521)
Net assets	**8,983,724**	8,166,551	7,701,400	7,240,979	6,627,112

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