中化化肥控股有限公司
SINOFERT HOLDINGS LIMITED

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

ANNUAL REPORT
2022

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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, a company incorporated on 26 May 1994 in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
"connected person"	has the same meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the same meaning ascribed to it under the Listing Rules
"continuing connected transaction(s)"	has the same meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the same meaning ascribed to it under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code contained in Appendix 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
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Singapore"	Republic of Singapore
"Sinochem Agriculture"	中化現代農業有限公司 (Sinochem Agriculture Holdings Limited)
"Sinochem Fertilizer"	中化化肥有限公司 (Sinochem Fertilizer Company Limited)
"Sinochem Finance"	中化集團財務有限責任公司 (Sinochem Group Finance Co., Ltd.)
"Sinochem Holdings"	中國中化控股有限責任公司 (Sinochem Holdings Corporation Ltd.)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the same meaning ascribed to it under the Listing Rules
"Syngenta Group"	先正達集團股份有限公司 (Syngenta Group Co., Ltd.)
"US$"	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 2022, 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 commit to social responsibilities.

CORPORATE INFORMATION

Board of Directors

Executive Directors
Mr. MA Yue *(Chief Executive Officer)*
Mr. WANG Jun
Ms. WANG Ling

Non-Executive Director
Mr. LIU Hongsheng *(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. WANG Jun

Corporate Governance Committee
Mr. MA Yue *(Chairman)*
Mr. WANG Jun
Ms. WANG Ling
Ms. CHEUNG Kar Mun, Cindy

Chief Financial Officer

Ms. WANG Ling

Qualified Accountant

Ms. CHEUNG Kar Mun, Cindy

Company Secretary

Ms. CHEUNG Kar Mun, Cindy

Auditors

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

Legal Adviser

Latham & Watkins LLP

Principal Bankers

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

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business

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

Share Registrars and Transfer Offices

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

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

Company Website

www.sinofert.com

Share Listing

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

Investor Relations

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Fengtai District
Beijing 100069, PRC

FINANCIAL HIGHLIGHTS

(RMB'000 except for basic earnings per share)

	2022	2021
Revenue	23,002,701	22,641,396
Gross profit	2,576,477	1,960,002
Profit before taxation	1,186,723	900,122
Profit attributable to owners of the Company	1,117,206	866,612
Basic earnings per share *(RMB)*	0.1590	0.1234
Return on equity *(Note 1)*	12.25%	10.35%
Debt to equity ratio *(Note 2)*	18.69%	12.17%

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

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

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Growing with China's Modern Agriculture

To shareholders,

On behalf of the Board of Directors, I hereby report to all shareholders the annual results of Sinofert Holdings Limited and its subsidiaries for the year ended 31 December 2022.

In the first half of 2022, the supply and demand of fertilizers continued to be in a tight balance due to the recurrent outbreak of the pandemic and international geopolitical conflicts, and the boom of the industry boosted prices to a historical high. However, with the successive sharp rate hikes of the Federal Reserve and domestic agricultural demand entering the off-season, fertilizer prices fell rapidly after surging high in the second half of 2022 and remained low with volatility. In the face of the complex and volatile external environment, the Group insisted on staying ahead by innovation, focused on the implementation of key strategies such as differentiation and industry quality improvement and efficiency enhancement, and achieved significant year-on-year growth in results. In 2022, the Group achieved a turnover of RMB23.003 billion, representing a year-on-year growth of 1.6%, profit attributable to owners of the Company of RMB1.117 billion, representing a year-on-year growth of 28.84%, and significant improvement in profitability. All operating indicators of the Group performed well, and the debt to assets structure was steady with a relatively strong risk response capability.

In the first half of 2022, under the pressure of tight supply and rising costs, the Basic Fertilizers Division firmly implemented the state's requirement to maintain supply and stabilize prices, and ensured direct supply to end-users in the industrial and agricultural sectors by leveraging the advantages of the supply chain. As the market demand weakened in the second half of the year, the Group continued to enhance the market development and promotion of differentiated products such as "Fenghexiang" potash fertilizers, Meilinmei series of phosphate fertilizers and Daheyiu nitrogen fertilizers on the basis of consolidating cooperation with quality strategic suppliers, and adopted a combination of online and offline modes to strengthen technical services and customer satisfaction. It improved the service models for green planting and continued to improve the digitization level and technological excellence of products. Through scientific proportioning, differentiated formulations and streamlined processes, it helped growers reduce production costs, reduce carbon emissions and enhance production efficiency and economic benefits. In 2022, profit before taxation of the Basic Fertilizers Division amounted to RMB700 million, representing a year-on-year increase of 16.70%.

The Distribution Division achieved quality and rapid growth. With the focus on core crops, the Group concentrated on the difficulties in crop cultivation and soil health strategy, and provided professional solutions for farmers through the promotion of fertilizer and pesticide packages and full tracking services. It has continuously improved our technical service capability and marketing and promotion level, focusing on high-end cash crop products and high cost-price ratio cereal crops, making breakthroughs in bio-stimulants and microbial technology products and significantly improving the competitiveness of the core single products. Through expanding diversified channels and improving our technical service capabilities, our direct retailers, large-scale planting companies and customers from special channels accounted for 62% of our sales. By actively coordinating with Syngenta Group's internal resources, Sinochem Agriculture and the Synergy from Crop Protection Business has surged in size. In 2022, the sales revenue of the Distribution Division reached RMB7.435 billion, representing a year-on-year growth of 12.08%. Profit before taxation of the Distribution Division amounted to RMB185 million, up by 10.94% year on year.

Overcoming the adverse effects of rising prices of raw materials, the production enterprises gave full play to the advantages of its own resources and made every effort to ensure stable, long-lasting and optimal operations. As a result, the gross profit margin hit a record high. During 2022, the annual sales volume of the production enterprises amounted to 660,000 tons in aggregate. Profit before taxation amounted to RMB516 million, up by 86.35% year on year. The relocation project of Sinochem Chongqing Fuling Chemicals Co., Ltd. ("Sinochem Fuling") has been completed with success in the first run.

The R&D investment steadily increased while the R&D capability was further strengthened. The Group cooperated with scientific research institutions including the Chinese Academy of Agricultural Sciences to jointly establish the "National Engineering Research Center for Arable Land Protection" which was officially launched this year. Relying on the national-level R&D platform, it has initially established a R&D system of "biotechnology + soil health + nutrient efficiency", made breakthroughs in biological preparations and "Bio+" fertilizer products, and continued to promote the synergy by coordination among research, production and sales. In 2022, the Group achieved a total of 1,053,000 tons of transformed amount of scientific research results of new products, representing an 18% year-on-year increase.

In the face of a complex and changing market environment, the Board of Directors of the Company has always insisted on adherence to the goal of maximizing shareholder value, continuously improving corporate governance and optimizing the management system. In accordance with the Corporate Governance Code of the Stock Exchange, the Company's Board of Directors held four regular meetings in 2022 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.

Looking to 2023, the uncertainty of geopolitical conflicts and the increasingly tightening overseas monetary policies brought substantial risks and challenges to the production, import and distribution of fertilizers in China. However, with the gradual escalation of the international food safety situation, the country has focused on stabilizing the agricultural base, and the 20th Party Congress has clearly defined the objectives of accelerating the construction of a strong agricultural country, making "ensuring a stable and safe supply of food and important agricultural products" the top priority for building a strong agricultural country. The "No. 1 Central Document for 2023" has clearly defined the basic direction of green development of agriculture in terms of policy framework, accelerated the agricultural input reduction, promoted application of efficiency enhancement technologies and facilitated fertigation in order to drive the overall transformation of the fertilizer industry, which has brought significant opportunities for strategic transformation of the Group.

In 2023, the Group will continue to fulfill its role as a central enterprise and strictly implement the national policies on ensuring supply and price stability of fertilizers as well as food safety. The Group will also continue to promote the strategic transformation of biofertilizer + soil health to improve the nutrient utilization rate of chemical fertilizers, reduce carbon emission and promote healthy soil development through R&D and innovation. The potash fertilizer business and phosphate fertilizer business will continue to consolidate their market shares, further strengthen their strategic sourcing capabilities, deepen the expansion of high-quality supply channels, and consolidate the core customer system for industry and agriculture to firmly support strategic transformation of the Group. The production enterprises will make full use of their advantages in mineral resources to extend and strengthen the development of the entire industry chain from resources, production to distribution. The commencement of production in Sinochem Fuling will become a new driving force for the Group's performance growth.

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 original mission of working for the welfare of Chinese farmers and the transformation of the Chinese agriculture industry, and work ever harder to continuously make contribution to the development of the Group.

Liu Hongsheng
Chairman of the Board

Hong Kong, 20 March 2023

CHRONICLE OF EVENTS

Year 2022

JANUARY

- The Group convened the conference on "Microbiology Strategy and New Product Launch", to lay out its biological strategy comprehensively and promote the launch of its product "Yaxin Rui Keming".

- The Group entered into the "Supplemental Agreement to the Mosaic Crystal Potassium Cooperation Framework Agreement" with Mosaic Agricultural Inputs (Beijing) Co., Ltd. to deepen the strategic partnership and develop a cooperative model for the exclusive regional operation of agricultural potash varieties.

- The Group released the third generation of microbial technology and product upgrade strategy, clearly putting forward the core development direction of "reducing fertilizer application, protecting soil health and promoting green and sustainable development of agriculture", which was highly recognized by the Quality Inspection Center for Microbial Fertilizers and Edible Fungi, Ministry of Agriculture and Rural Affairs of China, and the National Biopesticide Engineering Research Center.

FEBRUARY

- With the full support of the relevant government departments, the Chinese Negotiating Team, in which the Group participates, reached an agreement with Canpotex Limited, a potash company in Canada, on a potash import contract for 2022, maintaining its position as the global "price pub" in potash fertilizers.

- Sinochem Jilin Changshan Chemical Co., Ltd. ("Sinochem Changshan"), a subsidiary of the Company, entered into a technical contract with the Institute of Coal Chemistry under the Chinese Academy of Sciences to jointly implement the development of the direct synthesis of dimethyl carbonate from urea and methanol, and provide strong support for the Group's technological innovation.

- The Group, in conjunction with PetroChina Kunlun Hospitality Co., Ltd., organized an annual video conference on the fertilizer business in 2021 for all provinces and regions of both parties to deepen the all-round strategic cooperation in the field of agricultural inputs and ensure national food safety through strong alliances and complementary resources, fulfilling the social responsibility of state-owned enterprises and promoting the revitalization of Chinese villages and the modernization of agriculture and rural areas.

Year 2022

MARCH

- The Group actively pursued the strategy of "rural revitalization". The 100,000 tonnes of new fertilizer project of Tiemenguan Sinochem Agricultural Biotechnology Co., Ltd., a subsidiary of the Company, has been completed and put into production to promote the transformation and upgrading of regional agriculture and the development of modern agriculture.

- Sinochem (Linyi) Crop Nutrition Co., Ltd., a subsidiary of the Company, laid out the reform of the compound fertilizer industry and actively implemented the restructuring of its products. The 100,000 tons/year of water-soluble fertilizer and special fertilizer research, production and marketing integrated service platform project officially started and laid the foundation stone.

MAY

- The first shipment of 65,000 tons of potash under the 2022 import contract signed between the Group and Canpotex Limited arrived at Zhanjiang port, effectively ensuring the supply and price stability of the domestic potash market. CCTV reported on the arrival of the vessel, the receiving and unloading of the cargo and the shipping process.

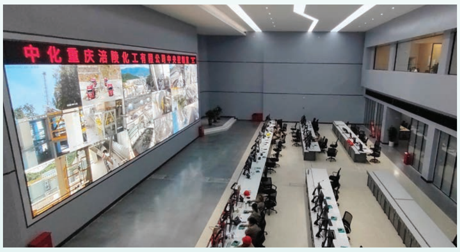
JUNE

- The Group, together with the seed business unit and the crop protection business unit of Syngenta Group, jointly launched collaborative trials on seeds, fertilizers and pesticides in Anhui, Hunan, Jiangxi and Guangdong to provide a combination of fertilizer and plant protection solutions for the entire rice growing season, creating greater value for the Group through strategic synergies.

Year 2022

JULY

- The infrastructure and equipment installation of the first phase of the environmental relocation project, 200,000 tons/year of fine phosphate and ancillary new special fertilizer project, of Sinochem Fuling, a subsidiary of the Company, were completed and entered the trial production stage after the successful first run. Sinochem Fuling will serve as a key link in the phosphate chemical industry chain to help strategic transformation of the Group.



SEPTEMBER

- The Group convened the "Organic Breakthrough of Bio+ Double Helix Action" and the launch of key ecological products, uniting more than 30 organic fertilizer enterprises to jointly launch the initiative of "High Quality Development of Organic Industry for Soil Health", in which the Group took the lead in breaking through the shortcomings of the organic fertilizer industry development to ensure soil health and food safety.

OCTOBER

- The campaign "Food Security and Bountiful Harvest for Prosperity of Families and the Country" of the Group and the Farmers' Harvest Festival of Sinochem Fertilizer concluded successfully, helping farmers in the region to solve problems of the crops by providing nutrition solutions in the way of special fertilizers and pesticides throughout the process of planting, significantly enhancing the Group's influence and brand awareness in the fertilizer market.

Year 2022

NOVEMBER

- The Group signed a memorandum of cooperation with Arab Potash Company of Jordan for the period of 2023-2025. The signing of the memorandum will effectively promote the guaranteed supply and price stabilization of potash fertilizers in China, protect the interests of Chinese farmers and ensure food safety.

- Youliangmei, the second botanical activator of the Group, was launched for sale. It is a botanical activator designed for cash crops developed by the Linyi R&D Center of the Group after years of research and development. The product does not add any hormone and can regulate the growth balance of plants while satisfying the growers' requirements on quality and yield enhancement for crops as well as the economic demand for early harvest.

- The Group and China Agricultural University jointly applied for a key science and technology project under the "14th Five-Year Plan" of the state, namely "Key Technology Model and Application of Plant Adaptation and Productivity Enhancement in Saline-Alkali Land in the Northern Saline Water Irrigation Area", officially commenced. Undertaken by the Group, the research named "Integration and Demonstration of Technology Model for Soil Adaptation and Productivity Enhancement of Cotton and Grain Crop Rotation in Saline-Alkali Land in the Saline Water Replenishment Area in the Lower Session of Tarim River, Southern Xingjiang, Xinjiang" was subsidized by national research funding. The project will improve the soil of saline-alkali land through technological innovation and help increase the productivity and income of corn and cotton crops.

DECEMBER

- The sales of microbial fertilizers of the Group exceeded 500,000 tons, representing a year-on-year growth of approximately 72%, establishing the Group as an industry leader in the field of microbial fertilizers.

MANAGEMENT REVIEW AND PROSPECT

MANAGEMENT REVIEW AND PROSPECT

Business Environment

During 2022, the global market was under the impact of the complex and volatile political and economic situation, geopolitical conflicts, financial market turmoil and recurrent outbreak of the pandemic. The pressure of demand contraction, supply shock and weakening expectations also brought challenges to the domestic market. The Chinese government has been tackling difficulties and doing a good job, focusing on stabilizing the macroeconomy, properly reducing government leverage through precise fiscal policies, expanding the scale of fiscal spending, and further expanding the benefits of tax and fee cuts. Supported by the timely implementation of a stable monetary policy with successive rate cuts leading to lower market interest rates, the domestic economy grew steadily in 2022, with a 3% increase in GDP growth compared to the same period last year.

In 2022, the Chinese government consolidated the achievements of poverty eradication, clearly defined the two bottom lines of guaranteeing national food security and not returning to poverty on a large scale, comprehensively promoted rural revitalization and accelerated the key work of agricultural and rural modernization. The role of agriculture as a ballast for economic and social development has become increasingly prominent. The production of important agricultural products has progressed in a stable manner. In the face of the macroeconomic downturn and pressure from various parties, the rapid development of agriculture has made positive contributions to the efforts of "stability on the six fronts" and "security in the six areas" and the national economic and social development in all aspects. The 20th Party Congress has clearly defined the key task of accelerating the construction of a strong agricultural country, promoted agricultural development from the pursuit of speed and scale to focus on quality, efficiency and competitiveness driven by innovation in science and technology and mechanisms, and accelerated the realization of the leap from a large agricultural country to a strong agricultural country.

During 2022, the fertilizer market experienced severe challenges, with international and domestic energy prices, shipping prices and commodity prices fluctuating sharply, and fertilizer prices showing a downward trend in the second half of the year after an upsurge in the first half. The Chinese government has taken various measures to ensure the stability of domestic fertilizer supply and prices through scientific reserves and subsidies to farmers. On the other hand, the Chinese government continued to strengthen the macro-control policy on the fertilizer industry to promote the use of less fertilizer and efficiency improvement, and carried out in-depth soil testing and formula-based fertilization to undergo continuous optimization of the fertilizer input structure, guiding enterprises and social service organizations to develop scientific fertilizer application technology services, protect soil health and safeguard national food safety.

To consolidate our leading position in the industry against the backdrop of a complex and volatile global economy, under the leadership of the Board, the Group continued to deepen our strategic transformation and promote the technology service platform of Sinochem Agriculture comprehensively in order to step up efforts in product R&D and fully enhance the comprehensive productivity of agriculture, ensuring stable supply and price of fertilizer products and contributing in the promotion of the development of rural revitalization and modernization of agriculture. Through deepening its strategic sourcing channels, the Basic Fertilizers Division took full advantage of its supply chain strengths to acquire stable and quality resources and protect the demand for industrial and agricultural production. The Distribution Division continued to optimize its product structure and accelerate the implementation of differentiated strategies, while the integration of research, production and sales has also boosted product gross margins. Production enterprises seized the market opportunities and utilized their resources to ensure stable, long-lasting and optimal operations. Meanwhile, the Group continued to strengthen internal strategic collaboration with members of the Syngenta Group and achieved significant year-on-year sales growth.

Financial Performance

For the 12 months ended 31 December 2022, the Group's revenue amounted to RMB23.003 billion, up by 1.6% over the corresponding period in 2021. Profit attributable to owners of the Company amounted to RMB1.117 billion, increasing significantly by 28.84% over the corresponding period in 2021.

Research and Development

In 2022, the Group continued to build up our R&D capacity in crop nutrition, cooperating with the Chinese Academy of Agricultural Sciences and other research institutions to build the platform of the "National Engineering Research Center for Arable Land Protection", which was listed and operated. Based on the national-level R&D platform, we have initially established a "biotechnology – soil health – nutrient efficiency" R&D system, and made breakthroughs in a number of biologics and "Bio+" fertilizer products. The first self-researched and self-produced bio-stimulant, "Youcuilu", was officially launched and its sales volume exceeded 1,000 kiloliters in the first year. The trial production of the second bio-stimulant, "Youliangmei", was successful and it has entered the trial promotion stage. "Bio+ fertilizer" products, such as Lanlin, Yaxin, Junyue and Meilinmei, have been upgraded and optimized, with sales increment of more than 50% compared with 2021. "Bio+ soil health" bio-organic fertilizer products were developed and launched in 2022, with a cumulative sales of 76,000 tons. Through the collaboration of research, production and sales, we realized a total of 1,053,000 tons of scientific research results of new products in 2022, representing an 18% year-on-year increase.

In the future, the Group will further develop the R&D system of "biologics – soil health – nutrient efficiency", focusing on enhancing the R&D capability of biotechnology. We will focus on the key technologies of biologics and soil health to promote efficient crop nutrient uptake, improve crop yield and quality, and develop and promote new crop nutrition products through an integrated mechanism of research, production and marketing. At the same time, we will continue to focus on resources, plan for improving soil health, promote key core technologies, implement arable land protection policies, improve the quality of arable land and contribute to soil health improvement.

Production and Manufacturing

In 2022, in the face of the complex and volatile economic environment, the major subsidiaries of the Company adjusted their production and sales strategies promptly based on the market supply and demand as well as price movements, and utilized their resource advantages to achieve full production and sales in a stable and long-term manner, resulting in significant improvement in operating results.

In 2022, facing unfavorable circumstances such as the substantial fluctuations in the prices of major raw materials such as sulfur and sulfuric acid, the repeated recurrence of the COVID-19 pandemic, extreme regional weather and sharp movements in the exchange rates of the US Dollar, Sinochem Yunlong, a subsidiary of the Company, took full advantage of our resources, insisted on implementing pandemic prevention and control measures, ensured the supply of coal and phosphate ore, tightly grasped safe production and secured premium orders and production, ushing new highs in performance indicators, During 2022, Sinochem Yunlong produced 342,900 tons of calcium feed, an increase of 6.69% year-on-year, and a total net profit of RMB275 million was realized, an increase of 83.89% year-on-year. Adhering to the core value concept of "In Science We Trust", we are committed to "becoming a leading global production expert of high phosphorous MCP/DCP and creating a leading green brand in animal nutrition". According to our strategic development plan, the Group fully implemented the five major development concepts of innovation, coordination, green, openness and sharing, constructed a green ecological industrial system, developed a circular economy, focused on solving the difficult problems of comprehensive utilization of phosphogypsum, flotation tailings, extracted acid and residual acid, realized efficient recovery of fluorine and graded utilization of phosphorus, stabilized the existing production of high phosphorus feed calcium, developed functional phosphorus fertilizer and green building materials, built a flexible manufacturing platform for fine phosphorus chemicals and new materials with international competitiveness, and promoted the Group's green and sustainable development.

During 2022, Sinochem Changshan, a subsidiary of the Company, actively implemented the development requirements of stable economic growth. Facing the unfavourable situation of rising coal and electricity prices as well as the implementation of static control over unexpected epidemics in the region, it overcame the difficulties in commuting, loading and transportation, raw material procurement, etc., and organized its staff to station at the plant and take targeted measures to achieve "safe, stable, long, full and excellent and efficient" operation of production facilities. In 2022, Sinochem Changshan exceeded the production volume target for the year and achieved a total net profit of RMB143 million, an increase of 17.36% year-on-year. It insisted on building eco-friendly factories, initiated the advancement of the "dual carbon" work, implemented the "short-term goal" of carbon reduction, commissioned a 30,000-ton CO_2 liquefaction plant, and realized the recovery of 8,748 tons of CO_2. It insisted on the goal of strengthening and optimizing the development of the industry, and the sales share of the key products in the core markets reached 46%, further strengthening the foundation of its operation.

In 2022, Sinochem Fuling, a subsidiary of the Company, continued to implement the directive of the Yangtze River Economic Belt Construction's "jointly focusing on great protection of the environment and avoiding large-scale development" by promoting the overall environmental relocation. Overcoming the unfavorable factors such as the outbreak of the pandemic, price fluctuations of bulk raw materials, it successfully completed the construction of the first phase of the environmental relocation project – 200,000 tons/year of fine phosphate and complemented by a new dedicated fertilizer. Being completed and put into production as scheduled, the facilities were successfully started up in one go and entered the trial production stage. At present, all the facilities are in safe and stable operation, including ammonia facilities, phosphoric acid purification, high-grade fire-retardant materials, medium-grade fire-retardant materials and dihydrogen potassium phosphate, all of which were running at full load, and the sulfuric acid facility has passed the 72-hour performance simulation test. At the same time, the sewage treatment station of the old plant in Nananpu was running stably. The preliminary investigation of soil treatment has been completed and the official report has been evaluated and approved by the District Ecological and Environmental Protection Bureau.

Basic Fertilizers Operations

In the first half of 2022, under the pressure of tight supply and rising prices of various types of fertilizers, the Group adopted a number of measures firmly and implemented the national requirement to maintain supply and stabilize prices by expanding the procurement channels and exploring the service mode for industry and agriculture to ensure the supply of basic fertilizers in the market. With the weakening of market demand in the second half of the year, the Group strengthened our cooperation with quality strategic suppliers and increased the marketing and promotion of differentiated products such as Fenghexiang agricultural potash, Meilinmei series of phosphate fertilizers and Daheyiu nitrogen fertilizers, combining online and offline modes to continuously enhance the marketing and servicing capability. The number of registered users, logistics and transportation volume, transaction volume and online payment amount of the Fertex platform continued to increase. The two awards granted at the Dingge Award further enhanced the influence of the Group's digital transformation in the industry. We have improved our green planting service model and continued to raise the level of digitization and technologies of our products. Through scientific proportioning, differentiated formulas and streamlined processes, we helped growers reduce their production costs and carbon emissions, and helped farmers improve their production efficiency and economic benefits.

Potash Fertilizer Operations

In 2022, geopolitical conflicts Ukraine led to mounting in pressure on the international supply chain and an increase in the price differential between the international and domestic potash markets, with international potash being prioritized for supply to high-priced regions, resulting in a significant shortage of potash supply in the market. The Group continued to consolidate its strategic cooperation with international suppliers to maintain its potash prices at a lower level in the global market. The renewal of the exclusive agency agreement for 2023-2025 with Arab Potash Company of Jordan helps secure the supply of quality materials. At the same time, we strengthened the strategic cooperation with Qinghai Salt Lake Industry Co., Ltd. ("Qinghai Salt Lake"), improved the convergence of procurement and sales as well as coordination of distribution and transportation, and made every effort to ensure the domestic supply of potash. We continuously promoted the construction of the core customer system, strengthened the analysis and judgment of market information, provided value-added services in logistics and finance, improved the professional marketing and servicing capability and continued to enhance the market position and influence in the industry. We have deepened the marketing of agricultural potassium, promoted the construction of our agricultural potassium brand "Fenghexiang", enriched our multi-product differentiation matrix, reshaped our channel system, promoted the digitalization of our channels and online marketing projects, and continuously increased our market share.

Nitrogen Fertilizer Operations

The nitrogen fertilizer operations achieved a sales volume of 1,250,000 tons in 2022, representing a decrease of 1,620,000 tons year-on-year, of which the nitrogen fertilizer operations accounted for 18.12% of the total, representing a decrease of 9.48 percentage points year-on-year. To enhance profitability, the Group continued to adjust our product mix and reduce the share of the low-margin nitrogen fertilizer business.

Phosphate Fertilizer Operations

In 2022, the phosphate fertilizer operations achieved a sales volume of 1.72 million tons. The Group achieved excellent results in strategic sourcing, effectively securing a stable supply of quality phosphate fertilizers in important periods of time like the spring ploughing and autumn sowing despite the tight supply of phosphate ore and the reduction and suspension of production at small and medium-sized plants, and further enhancing the adhesion of cooperation with core customers. We also started to adjust the value of our phosphate fertilizer operations to provide integrated solutions to cater for the most concerned upstream and downstream demand, achieving stable profit contribution, increasing customer value, continuously consolidating our position as a leading distributor of phosphate fertilizers in the domestic market. Technology-based "Meilinmei" series products effectively improve phosphate fertilizer utilization, protect soil health and save upstream phosphate resources while helping farmers to increase production and harvest, with sales maintaining rapid growth. Leveraging our advantages, the Group promoted the extension of the chain of phosphate fertilizers. High-purity phosphate (high content of monoammonium and phosphoric acid, etc.) has been steadily increasing in the water-soluble fertilizer and agricultural drip irrigation channels, and has achieved breakthroughs in the fields of new energy, fine phosphorus chemicals, food additives, medical intermediates, fireproof materials processing, etc.

Distribution Operations

We continued to promote the DTS channel deepening strategy, expanded franchised stores with direct supply, and continuously focused on key large accounts and sinking channels to facilitate rapid development of operations. We deepened the distribution channel to strengthen the development of customers with fertilizer and medicine combinations and promoted the creation of core shops to help transformation and development of retailers. To increase sales of core crops, we rapidly boosted the internal synergy sales of Syngenta Group China through promotions of fertilizer and pesticide packages and full tracking services. The direct sales channel revolves around large growers and commercial growers, integrating the resources of the industry chain and providing one-to-one customized products and technical services for large growers with fertilizer and medicine combinations. We strengthened cooperation with special channels, expanded the volume of cooperation with PetroChina and China Post, etc. and continuously innovated cooperation models.

Compound Fertilizer Operations

In 2022, the compound fertilizer operations achieved a sales volume of 1,950,000 tons. Among them, the sales volume of differentiated products was 1,210,000 tons, an increase of 34.44% year-on-year while the sales volume of bio-fertilizer was 600,000 tons, an increase of 73% year-on-year. The Group accelerated the optimization of the product structure of compound fertilizers and further enhanced the effectiveness of our products by increasing the conversion of self-research results and the introduction of external technologies, focusing on multi-technology integrated products to solve crucial issues in planting, reduce weight and increase efficiency, increase productivity and improve quality. Through leading technologies such as bio-activation technology, microbial compounding technology and organic and inorganic coupling, we accelerated the development and operation of nutrient-efficient, bio-activation and soil health products, effectively implemented the national strategy to improve the quality of arable land, and effectively promoted the Company's biological strategy and soil health strategy. At the same time, we focused on the crucial issues of crop cultivation and soil health, and provided professional solutions to farmers. We have been continuously improving our technical service capability and marketing and promotion level, focusing on high-end economic crop products and high-cost food crop products, both of which have achieved good results.

Special Fertilizer Operations

In line with our goal of green and sustainable agricultural development, the Group continued to invest in the research and development of new fertilizers and their production capacity, forming more complete research, production and marketing system and production capacity layout. In 2022, we completed the construction of a new 100,000-ton special fertilizer production base in Linyi City, Shandong Province, which was smoothly put into production, realizing the growth of production capacity and the iterative upgrade of production technologies as well as laying the foundation for more efficient R&D and transformation and better customer service. The sales of new key bio-stimulant products developed and promoted in the year grew rapidly, meeting the demand of farmers to mix in use to increase production, save time and labor. During this year, the Group continued to increase efforts on the business development of water and fertilizer integration based on remote communication and remote-control technology, and formed the capacity to design and construct various agricultural forms such as high-standard farmland, greenhouses and landscape farming, etc. Our "Research and Development and Promotion of Water and Fertilizer Management Intelligent Equipment and Digital Management Solutions" was recognized as an IOT demonstration project by the Ministry of Industry and Information Technology.

Collaboration with Syngenta Group

During 2022, the Group adhered to the cross-business synergistic development strategy of Syngenta Group in China, actively developed comprehensive synergies among various business units, and promoted the quality and rapid development of the crop protection business and the seed business. We also introduced crop protection bio-activation products, namely "Guanwushuang" and "Rui Keming", realized the R&D innovation of compound fertilizers, and ensured the supply of modern agricultural crop nutrition products. In 2022, we achieved RMB336 million in revenue from crop protection synergies, with a three-year compound growth rate of 24%. The revenue from seed synergies amounted to RMB12.78 million, selling nearly 20 synergistic species with the seed business in rice, corn, vegetables, wheat and other crops. In terms of production research and development, we collaborated with Sinochem Agriculture Holdings Limited to promote the customization and conversion of products of the core masterbatch series, supplying 280,000 tons of basic fertilizers and 45,000 tons of compound fertilizers and special fertilizers. We also collaborated with the crop protection business to jointly develop functional fertilizers, namely "Lanlin Guanwushuang" and "Yaxin Rui Keming". We integrated the internal resources of Syngenta Group China and deepened the collaboration projects with large customers such as Beidahuang, COFCO and Bright Food Group, with an increase in sales income of RMB100 million year-on-year.

Technical Services and Digital Innovation

In 2022, the Group continued to promote free soil testing services, technical guidance for field activities, online and offline technical seminars, and the protection of rights and anti-counterfeiting, and integrated quality resources to provide farmers with a full range of crop technical solutions. The Group 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 and reduced the amount of pesticide and fertilizer application. Fertilizer and pesticide solutions were developed according to the characteristics of crops. Good seeds and good methods were promoted for the efficient development of the agricultural industry. The comprehensive integration of the advantages of biotechnology has also promoted the green and sustainable development of agriculture through biotechnology empowerment. The combination of online and offline services has accelerated user attraction. A total of 13,549 "Nong Xiao Hui" retail shops have gone online to promote digital check-in pilots and to continuously enhance digital marketing efficiency.

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 develop a bio-economy to solve soil health issues. The Group has accelerated our R&D, pilot demonstration and promotion of microbial fertilizer products by leveraging the R&D capability in the core technology of microbial agents of the participating enterprises. 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, microbial compounding, fungus and fertilizer coupling and biological activation as well as integrated resources to propose bio-strategy and 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 and also field guidance to safeguard farmers' planting and production 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 2022, the Group adhered to the management philosophy of Syngenta Group China, and built agile, effective and open functional headquarters to further deepen the establishment of internal risk control system to actively empower, support and safeguard our business development: During the year, the headquarters vigorously promoted risk culture through various means, such as risk talks by business leaders, professional department trainings, systematic monthly meetings of finance and risk responsible personnel, thematic meeting presentations, quarterly financial internal control self-inspection, half-yearly work report and daily WeChat promotion of risk management experience, 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". During the year, we continued to identify risks, monitor major risks, comprehensively investigate operational risks and focus on the establishment of a long-term mechanism. We continued to revise and improve systems and regulations, and organize the system of authorities and responsibilities. During the year, the headquarters focused on enhancing compliance and risk control coordination, convened coordination meetings, focused on solving business problems and empowering the businesses, The headquarters collaborated with key units to carry out clean compliance improvement work in the second half of the year. In 2022, 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 2022, the Group focused on strengthening the internal control of our overseas business units and incorporated their operations into our daily financial management performance.

In 2022, the internal control and management of the Group met the compliance requirements of domestic and foreign regulatory agencies and ensured compliance and healthy development of our business. The Group's internal control and management provided a reasonable guarantee for adaptation to changes in the market and operating environment, support for the strategic transformation of the Company, protection for interests of shareholders of the Group and asset safety, and improvement of business quality and strategy implementation.

Social Responsibility

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

Following the deployment of the Central Committee and the State Council, the Group has taken various measures to ensure supply and price stability in line with the implementation of national policies and macro-control, thereby fulfilling the responsibilities of our role as a state-owned enterprise. Subject to safe production, the Group made every effort to ensure that our internal production capacity was fully utilized such that our products were released to the domestic market in a timely manner. By leveraging our advantages in capital, warehousing and logistics, the Group joined hands with major upstream suppliers to release more product resources to the domestic market to ensure the supply of product resources to the market. We played an active role in the negotiation of potash, maintained our position of international hub for potash fertilizer for many years, and increased efforts to obtain imported potash resources to fully protect the domestic supply. We placed multiple batches of potash fertilizer reserves in strict accordance with the relevant requirements to give full play to the regulating role of potassium fertilizer reserves, stabilizing the domestic market and ensuring food safety.

In 2022, the Group continued to provide crop technology solutions to farmers, and accumulated more than 50,000 comprehensive technical service activities. The Group conducted more than 3,000 trial and demonstration fields around the "Double Reduction and Increasing

Efficiency" initiative, and conducted more than 8,000 planting technology training sessions and more than 3,000 demonstration sessions through a combination of online and offline methods, and distributed more than 100,000 copies of online and offline technical solutions, directly benefiting more than 5 million farmers.

The Group has been adhering to the bottom line of food safety, deeply implemented the strategy of stable and quality production and launching the brand new "Houpu soil health +" service platform, with the vision of "making every inch of land fertile for harvest". The objective of "Houpu soil health +" is to promote sustainable and commercial transformation by insisting on digitalization and innovation drivers to create a soil health indicator system, an open innovation platform for soil health, a soil health product and technology system, diversified service channels, an O2O soil health digital hospital and an open soil health ecosystem to provide our customers with diagnostic soil health assessments, soil health enhancement services and sustainable soil health management services. During this year, we have achieved a number of successful practices in the agricultural market and government market. The Houpu soil health strategy aims to solve the problems of arable land, promote sustainability and food safety, lead the quality development of the agricultural industry, and help the overall realization of rural revitalization.

Outlook

In 2023, the global economic recovery will still face many challenges due to geopolitical tensions, climate changes and high inflation. The Chinese government will be able to cope with the century-old reform, fully implement the spirit of the 20th Party Congress, and clearly adhere to the general keynote of seeking progress while maintaining stability. We will also fully, accurately and comprehensively implement the new development philosophy, accelerate the construction of a new development pattern, and quickly switch the focus from pandemic prevention and control to full recovery and economic boost.

The "No. 1 Central Document for 2023" anchors the goal of accelerating the construction of a strong agricultural country, focuses on the theme of rural revitalization, enforces the ideas of "guarding the bottom line, promotes revitalization and strengthening protection", and accelerates the construction of agricultural and rural modernization through technological innovation and technical innovation. Being a leading technology-based marketing and service provider of crop nutrition in China, the Group will steadily promote the development of Sinochem Agriculture, strengthen the investment in high-tech agricultural products, optimize the service level to farmers, standardize product management, combine the innovative operation mode of the Internet and agriculture, give full play to the advantages of integrated research, production and marketing, continue to improve technology, services and products, and implement marketing programs that are in line with agricultural development, enhance efficiency of agricultural production and ensure food safety.

In 2023, under the Syngenta Group China's structure, the Group will actively implement the national policy of securing supply and stabilizing prices, deepen procurement channels and fully utilize our own resource advantages to support the strategic transformation of the Group by strengthening and extending the industrial chain. We will vigorously promote technological innovation and industrial upgrading, focus on the transformation and development of biofertilizers with soil health as the guiding principle, strive to promote the sustainable and healthy development of agriculture in China, support the transformation of China from a large agricultural country to a strong agricultural country and create value for our shareholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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For the year ended 31 December 2022, the Group recorded sales volume of 6.9 million tons, down by 33.65% over the year ended 31 December 2021. And the Group's revenue was RMB23,003 million, up by 1.6% over the year ended 31 December 2021.

For the year ended 31 December 2022, the Group attained gross profit of RMB2,576 million, up by 31.45% over the year ended 31 December 2021. Profit attributable to owners of the Company was RMB1,117 million, up by 28.84% over the year ended 31 December 2021.

I. OPERATION SCALE

(I) Sales volume

For the year ended 31 December 2022, the Group recorded sales volume of 6.9 million tons, down by 33.65% over the year ended 31 December 2021. In 2022, the international financial market was in turmoil. The global supply chain was disrupted due to the pandemic and geopolitical conflicts, and commodity prices fell rapidly after climbing to high levels. In the face of the complex and volatile macroeconomic environment, the Group was determined to promote strategic transformation. Enhancing technological excellence of products through innovation in research and development, it continuously implemented differentiated strategies and actively integrated the synergistic advantages with the Syngenta Group. The Group improved its market competitiveness by focusing on the establishment of a crop-oriented pesticide and fertilizer system.

The Group continued to optimize its product structure by transforming it into environment-friendly and highly efficient fertilizers, forming a pipeline of differentiated products. While the low-margin businesses of nitrogen fertilizers and sulfur was significantly reduced by 2.16 million tons year-on-year, new types of phosphate fertilizers and high-end compound fertilizers have gradually became the star products. During 2022, the total sales volume of various differentiated products of 1.47 million tons, up by 31.25% over the corresponding period in 2021. Thereinto, sales volume of differentiated compound fertilizers was 1.21 million tons, up by 34.44% over the corresponding period in 2021, and sales volume of new types of phosphate fertilizers was 200,000 tons, up by 66.67% over the corresponding period in 2021.

(II) Revenue

For the year ended 31 December 2022, the Group recorded revenue of RMB23.003 billion, up by RMB362 million or 1.6% compared with the year ended 31 December 2021, mainly resulting from global inflation and an increase in average selling price of products.

Table 1

	For the year ended 31 December			
	2022		2021	
	Revenue *RMB'000*	As percentage of total revenue	Revenue *RMB'000*	As percentage of total revenue
Compound fertilizers	**6,477,592**	**28%**	5,588,956	25%
Nitrogen fertilizers	**3,057,428**	**13%**	4,908,801	22%
Phosphate fertilizers	**5,767,023**	**25%**	5,026,005	22%
Potash fertilizers	**4,027,895**	**18%**	3,416,235	15%
Monocalcium/Dicalcium phosphate (MCP/DCP)	**1,530,881**	**7%**	968,164	4%
Special fertilizers	**393,400**	**2%**	491,972	2%
Others	**1,748,482**	**7%**	2,241,263	10%
Total	**23,002,701**	**100%**	22,641,396	100%

(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 2022 and the year ended 31 December 2021.

Table 2

	For the year ended 31 December 2022				
	Basic Fertilizers *RMB'000*	Distribution *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue					
External revenue	13,001,182	7,434,558	2,566,961	–	23,002,701
Internal revenue	1,549,625	5,063	881,731	(2,436,419)	–
Segment revenue	14,550,807	7,439,621	3,448,692	(2,436,419)	23,002,701
Segment profit	700,258	184,588	516,173	–	1,401,019

	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

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 2022, the external revenue of the Group increased by RMB361 million or 1.60% over the year ended 31 December 2021, mainly resulted from an increase in average selling price of fertilizer products.

For the year ended 31 December 2022, the segment profit of the Group was RMB1.401 billion. In particular, the Basic Fertilizers Segment continued to deepen the strategic procurement channels and give full play to the advantages of the supply chain to ensure the supply of basic fertilizers in the market. At the same time, it continued to innovate business model to accelerate business operation transformation. For the year ended 31 December 2022, the Basic Fertilizers Segment made a profit of RMB700 million, up by 16.7% over the corresponding period in 2021. The Distribution Segment accelerated the implementation of differentiation strategy, and integration of research, production and sales drove gross profit improvement. The Distribution Segment made a profit of RMB185 million in 2022, up by 10.94% over the corresponding period in 2021. The production enterprises overcame the adverse impact of rising raw material prices, fully exploited the advantages of resources and made every effort to ensure stable, persistent and satisfactory operation. In 2022, the Production Segment made a profit of RMB516 million, up by 86.35% over the corresponding period in 2021.

II. PROFIT

(I) Share of results of associates and joint ventures

Share of results of associates: For the year ended 31 December 2022, the Group's share of results of associates was a profit of RMB53 million, representing an increase of RMB40 million over the year ended 31 December 2021, which was mainly due to the Group's share of results of Guizhou Xinxin Coal Chemical Industry Co., Ltd being a profit of RMB45 million.

Share of results of joint ventures: For the year ended 31 December 2022, the Group's share of results of joint ventures was a profit of RMB95 million, representing a decrease of 48.37% from RMB184 million for the year ended 31 December 2021. The Group's share of results of Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. ("Three Circles-Sinochem") was a profit of RMB74 million, down by RMB84 million over the corresponding period in 2021. The Group's share of results of Gansu Wengfu Chemical Co., Ltd. ("Gansu Wengfu") was a profit of RMB21 million, down by RMB4 million over the corresponding period in 2021.

(II) Income tax

For the year ended 31 December 2022, the Group's income tax expense was RMB62 million, of which current income tax expense was RMB78 million and deferred income tax expense was RMB-16 million. In 2022, 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 52.2% compared with the corresponding period in 2021.

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 2022, profit attributable to owners of the Company was RMB1.117 billion, up by 28.84% compared with a profit of RMB867 million for the year ended 31 December 2021, representing a significant improvement in business performance. Faced with severe supply chain pressure and fierce market competition, the Group adhered to its strategic development direction, gave full play to the advantages of resources, increased the proportion of sales of differentiated products, enhanced customer service capabilities and promoted technical reform as well as product innovations to constantly deepen its business transformation and significantly enhance profitability.

For the year ended 31 December 2022, the Group's net profit margin calculated by dividing profit attributable to owners of the Company by revenue, was 4.86%, up by 1.03 percentage point over the corresponding period in 2021.

III. EXPENSES

For the year ended 31 December 2022, the three categories of expenses in aggregate amounted to RMB1,292 million, representing a decrease of RMB17 million or 1.3% from RMB1,309 million for the year ended 31 December 2021. In particular:

Selling and distribution expenses: For the year ended 31 December 2022, selling and distribution expenses amounted to RMB607 million, representing an increase of RMB24 million or 4.12% from RMB583 million for the year ended 31 December 2021. The significant decrease in relevant expenses as compared with last year was mainly because the Group expanded its sales force in order to deepen synergies and enhance channel service capabilities. At the same time, it optimized the incentive plan and the total labour costs of sales increased.

Administrative expenses: For the year ended 31 December 2022, administrative expenses amounted to RMB662 million, representing a decrease of RMB47 million or 6.63% from RMB709 million for the year ended 31 December 2021. This was because the Group optimized its management structure to achieve lean operation and efficiency. Moreover, it saved social security expenses by actively applying preferential policies during the COVID-19 pandemic period and total labour costs reduced by RMB41 million. During the COVID-19 period, office expenses and travel expenses decreased by RMB24 million due to a decrease in offline meetings and business travels.

Finance costs: For the year ended 31 December 2022, finance costs amounted to RMB23 million, representing an increase of RMB6 million or 35.29% from RMB17 million for the year ended 31 December 2021. This was mainly because the increase amount of bank loan.

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, etc. For the year ended 31 December 2022, the Group's other income and gains amounted to RMB119 million, representing a decrease of RMB118 million or 49.79% from RMB237 million for the year ended 31 December 2021, mainly attributable to the decrease in the gains on foreign exchange as well as income from sales of scrapped materials and raw materials.

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 2022, the Group's other expenses and losses amounted to RMB373 million, representing an increase of RMB161 million or 75.94% from RMB212 million for the year ended 31 December 2021. Such increase was mainly due to provisions for inventory impairment losses of RMB288 million under the impact of market price fluctuations.

VI. INVENTORIES

As at 31 December 2022, the Group's balance of inventories amounted to RMB5,673 million, representing an increase of RMB871 million or 18.14% from RMB4,802 million as at 31 December 2021, which was mainly attributable to the increase in the average costs of inventories. The inventory turnover days in 2022 was 95 days *(Note)*, 7 days slower than that in 2021.

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 2022, the Group's balance of trade and bills receivables amounted to RMB657 million, representing a decrease of RMB70 million or 9.63% from RMB727 million as at 31 December 2021, which was mainly attributable to a decrease in the bills receivables.

The turnover days of trade and bills receivables of the Group were 11 days *(Note)* in 2022, 1 day slower than 10 days in 2021. 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. INTERESTS IN JOINT VENTURES AND ASSOCIATES

As at 31 December 2022, the Group's balance of interests in joint ventures and associates amounted to RMB1,394 million, representing an increase of RMB109 million or 8.48% from RMB1,285 million as at 31 December 2021, which was mainly attributable to the increase in the profits of joint ventures and associates. During 2022, the Group's total share of investment gains of joint ventures and associates accounted for under the equity method amounted to RMB148 million. The dividends received from Gansu Wengfu, Three Circles-Sinochem and Guihou Xinxin Coal Chemical Industry Co., Ltd during the year were RMB10 million, RMB16 million and RMB13 million, respectively.

IX. INVESTMENTS IN OTHER EQUITY INSTRUMENTS

As at 31 December 2022, the Group's balance of investments in other equity instruments amounted to RMB189 million, representing a decrease of RMB122 million from RMB311 million as at 31 December 2021, which was mainly attributable to the disposal of shares of China XLX Fertiliser Ltd. held by the Group.

X. INTEREST-BEARING LIABILITIES

As at 31 December 2022, the Group's total interest-bearing liabilities amounted to RMB1,818 million, representing an increase of RMB724 million or 66.18% from RMB1,094 million as at 31 December 2021, which was mainly due to the increase by RMB700 million in the size of bank borrowings as compared with the end of 2021. For details of the interest-bearing liabilities. please refer to the section headed "XIII. LIQUIDITY AND FINANCIAL RESOURCES".

XI. TRADE AND BILLS PAYABLES

As at 31 December 2022, the Group's balance of trade and bills payables amounted to RMB2,499 million, which basically remained flat as compared with RMB2,412 million as at 31 December 2021.

XII. 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 2022, the Group's basic earnings per share was RMB0.1590 and return on equity (ROE) was 12.25%, both of which showed a significant increase over 2021.

Table 3

	2022	2021
Profitability		
Earnings per share (RMB) *(Note 1)*	**0.1590**	0.1234
Return on equity *(Note 2)*	**12.25%**	10.35%

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 2022, the Group's current ratio was 1.34, and its debt-to-equity ratio was 18.69%. 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	
	2022	2021
Solvency		
Current ratio (Note 1)	**1.34**	1.42
Debt-to-equity ratio (Note 2)	**18.69%**	12.17%

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.

XIII. 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 2022, the Group's cash and cash equivalents amounted to RMB3,356 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	
	2022	2021
	RMB'000	*RMB'000*
Bank loan	**1,741,217**	1,041,215
Lease liabilities	**76,613**	52,526
Total	**1,817,830**	1,093,741

Table 6

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Carrying amount of interest-bearing liabilities		
Within one year	**469,527**	85,220
More than one year	**1,348,303**	1,008,521
Total	**1,817,830**	1,093,741

Table 7

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Fixed-rate interest-bearing liabilities	**408,830**	52,526
Floating-rate interest-bearing liabilities	**1,409,000**	1,041,215
Total	**1,817,830**	1,093,741

As at 31 December 2022, the Group had banking facilities equivalent to RMB27,339 million, including US$881 million and RMB21,203 million, respectively. The unutilized banking facilities amounted to RMB25,624 million, including US$808 million and RMB19,997 million, respectively.

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

XIV. OPERATIONAL AND FINANCIAL RISKS

The Group's major operational risks include the continuous spread of the COVID-19, geopolitical tensions, decelerated global economic and trade growth, the prolonged supply chain crisis and significant fluctuations in commodity prices. The escalation of geopolitical conflicts in 2022 resulted in global energy shortages, and the producer price index (PPI) of industrial products has risen 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 2021, enhancing the business confidence. On the one hand, the Group continuously cultivates strategic procurement channels to give full play to the supply chain advantages and ensure access to quality resources. By strengthening coordination with members of the Syngenta Group, it continuously enhances brand status and profitability. On the other hand, the Group continuously promotes strategic transformation and resource integration, realizes coordination among research, production and sales, and promotes product differentiation. With the focus on core crops, the Group concentrates on the difficulties in crop cultivation and soil health strategy, continuously optimizes the product structure, and continues to improve profitability. 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 2022. If there is a lack of credit risk management, bad debt losses of the Company, as a result of unrecoverable accounts receivable and unavailable inventory after advance payment for procurement, may influence its normal operation. The Group has adequate management procedures, response mechanisms and supervision measures in respect of granting credit line and credit period, collection of overdue accounts and other related aspects. Through credit evaluation, transaction management, process monitoring and disposal of overdue accounts for credit customers, the Group develops risk management strategies and measures to prevent and control the risk, allocates more credit resources to strategic and high-quality core customers and suppliers, and transfers bad debt risks by proper utilization of various risk protection measures, The Group examines the recovery of its major trade receivables on the settlement date every month to ensure that the credit business was monitored and guaranteed.

Liquidity risk

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

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

Regarding the management of liquidity risk, the Group strengthens position management of daily working capital, forecasts and strictly executes the fund plan to monitor and keep enough cash and cash equivalents. 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.

XV. CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no contingent liabilities.

XVI. CAPITAL COMMITMENT

Table 8

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Contracted but not provided for		
– Property, plant and equipment	**648,197**	1,092,504
Authorized but not contracted for		
– Property, plant and equipment	**402,364**	896,365
Total	**1,050,561**	1,988,869

XVII. MATERIAL INVESTMENTS

Among the capital commitments of the Group as at 31 December 2022, the major project was Sinochem Fuling's 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, which total expenditure has accumulated to RMB2,680 million, 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.

XVIII. HUMAN RESOURCES

As at 31 December 2022, the Group had about 4,504 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 pages 57 to 58.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS OF THE COMPANY

Mr. LIU Hongsheng – Non-executive Director and Chairman of the Board

Mr. LIU Hongsheng, aged 56, was appointed as a Non-executive Director and the Chairman of the Board of the Company in January 2023. Mr. Liu graduated from the philosophy department of Peking University with a bachelor's degree in philosophy in August 1987, and obtained a master's degree in business administration from Shanghai Maritime University in October 2005. From August 1987 to April 2000, Mr. Liu was a member and the deputy division head of the human resources department at China's Ministry of Foreign Trade and Economic Cooperation, and the first secretary of the Commercial Counsellor's Office at the Chinese Embassy in Thailand. From April 2000 to December 2016, Mr. Liu held positions including the general manager of the corporate management department and general manager of the logistics business division of Sinochem International Corporation ("Sinochem International", a company listed on the Shanghai Stock Exchange under stock code 600500), general manager of Sinochem International Warehouse Co., Ltd., as well as deputy general manager of Sinochem International. From December 2016 to October 2022, he served as a director and the general manager of Sinochem International. Mr. Liu has more than 20 years of experience in leading the development of enterprises, and has excellent strategic vision and resource integration ability and deep understanding of diversified corporate governance. Mr. Liu has a strong professional background and extensive management experience in areas of new materials, new energy, agricultural chemicals and warehousing and logistics.

Other than the abovementioned positions in the Company, Mr. Liu is also the chairman of the board of directors of Halcyon Agri Corporation Limited (a company listed on Singapore Exchange Limited under stock code 5VJ), and the president of the China region of Syngenta Group.

Mr. MA Yue – Executive Director and Chief Executive Officer, and Chairman of Corporate Governance Committee

Mr. MA Yue, aged 43, was appointed as an Executive Director and Chief Executive Officer of the Company in January 2023, in charge of the Company's overall operation. Currently, he is also the Chairman of the Corporate Governance Committee of the Company. Mr. Ma graduated from the management science engineering department of Beijing Jiaotong University with a bachelor's degree in management in July 2001, and obtained a master's degree in business administration from Tsinghua University in January 2013. Mr. Ma joined Sinochem Fertilizer in July 2001 and had held positions including the general manager in its various branch offices and network development department. From November 2015 to December 2022, Mr. Ma was serving as an assistant general manager and a deputy general manager of the Company. Mr. Ma has been deeply involved in marketing and team building for more than 20 years. He has a deep understanding of the supply and demand pattern and development trend of crop nutrition products at home and abroad, and has strong strategic insight and rich practical management experience in strategic procurement, cross-country cooperation and channel cultivation. Mr. Ma is currently the vice chairman of China Phosphate and Compound Fertilizer Industry Association.

Other than the abovementioned positions in the Company, Mr. Ma is also chairman or general manager of various subsidiaries of the Company. Currently, Mr. Ma is also a director of Beijing Aerospace Hengfeng Technology Corp., Ltd., an affiliated company of the Company which was listed on the National Equities Exchange and Quotations under stock code 839664 and became delisted in July 2021, and the vice president of the China region of Syngenta Group.

Mr. WANG Jun – Executive Director

Mr. WANG Jun, aged 38, was appointed as an Executive Director, a member of the Nomination Committee and the Corporate Governance Committee of the Company in March 2023. Mr. Wang graduated from Jiangsu Ocean University with a bachelor's degree in food science and engineering in June 2007, and obtained a master's degree in chemical engineering from China University of Mining and Technology (Beijing) in June 2010. Mr. Wang joined Sinochem Fertilizer in August 2010, holding various positions from August 2010 to January 2022, including a staff member of the technology management department, an assistant general manager of the human resources department, the general manager of Jiangsu branch, the general manager of Jiangsu-Anhui distribution region and the general manager of Central China distribution region. Mr. Wang served as an assistant manager, deputy manager and manager of the technology management department of Sinochem Yunlong Co., Ltd., a subsidiary of the Company, from January 2012 to July 2015, and the general manager of Sinochem Agricultural Ecological Technology (Hubei) Co., Ltd., a subsidiary of the Company, from August 2020 to January 2022. Mr. Wang has been the director of human resource of the Company since January 2022. Having been involved in the fertilizer industry for over a decade, Mr. Wang is familiar with the business of the Company, possesses extensive experience in industry management, technology management, marketing management and human resources management, and has a deep understanding of the strategic development and talent team building of the Company.

Ms. WANG Ling – Executive Director and Chief Financial Officer

Ms. WANG Ling, aged 48, was appointed as an Executive Director and a member of the Corporate Governance Committee of the Company in March 2023, and was appointed as the Chief Financial Controller of the Company in February 2023. Currently, Ms Wang also serves as a director of certain subsidiaries of the Company. Ms. Wang graduated from Renmin University of China and obtained a bachelor's degree in international accounting in August 1997, and received a master's degree in accounting from Renmin University of China in July 2001. Ms. Wang joined China Foreign Economy and Trade Trust Co., Ltd., a subsidiary of Sinochem Group Co., Ltd., in July 2001, and served as a staff member of its finance department, investment banking department and trust business department. From November 2003 to August 2021, Ms. Wang held various positions such as the division head of the tax accounting division of the accounting management department, an assistant general manager of the accounting management department, and the general manager of the taxation and property rights division of the finance department of Sinochem Group Co., Ltd.. From August 2021 to January 2023, Ms. Wang served as the general manager of the taxation management division of the finance department of Sinochem Holdings Corporation Ltd.. Ms. Wang has been involved in the financial sector for over two decades, with extensive experience in finance, financial affairs, taxation and property rights management.

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

Mr. KO Ming Tung, **Edward**, aged 62, 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 31 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 the Chairman of Remuneration Committee

Mr. LU Xin, aged 59, 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 worked for the Ministry of Finance of the People's Republic of China from 1987 to 1992, and China Trust and Investment Corporation for Economic Development from 1992 to 1995. Since 1995, Mr. Lu has successively served as the assistant general manager, deputy general manager and managing director of Golden Sino (Holdings) Limited. From 2001 to 2004, Mr. Lu was the executive director and deputy chairman of the Board and the managing director of the Company (formerly known as Wah Tak Fung Holdings Limited). From 2008 to 2010, Mr. Lu was an independent non-executive director of Sino Resources Group Limited, whose shares are listed on the Main Board of the Stock Exchange in Hong Kong.

Other than the directorship in the Company, currently Mr. Lu is also an investment consultant of Wai Chun Group Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange in Hong Kong, and the chairman of the board of directors of World International Consulting Limited. Mr. Lu has over 30 years of experience in finance, investment and corporate management with extensive knowledge about economic activities of Hong Kong and Mainland China.

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

Mr. TSE Hau Yin, Aloysius, aged 75, 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 and SJM Holdings Limited, 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. ("China Huarong") 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 was an independent non-executive director of the following companies: China Telecom Corporation Limited, a company listed on the Main Board of the Stock Exchange in Hong Kong, from September 2005 to January 2023; 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 March 2013 to December 2022; China Construction Bank Corporation, a company listed on the Main Board of the Stock Exchange in Hong Kong, from 2004 to 2010; Daohe Global Group Limited, a company listed on the Main Board of the Stock Exchange in Hong Kong, from May 2005 to December 2016; and OCBC Wing Hang Bank Limited from November 2004 to June 2021.

SENIOR MANAGEMENT OF THE COMPANY

Ms. CHEN Shengnan – Deputy General Manager

Ms. CHEN Shengnan, aged 44, is the Deputy General Manager of the Company. Ms. Chen graduated from Nankai University with a bachelor's degree in chemistry in July 2000 and from Nankai University with a master's degree in polymer physics and chemistry in July 2003. Ms. Chen began her career and joined Sinochem Fertilizer in July 2003 and successively served as a staff member of the potash fertilizer department, assistant general manager of the potash fertilizer division, as well as deputy general manager, executive deputy general manager and general manager of the potash fertilizer department, and has been the general manager of the fertilizer import department of Sinochem Group since March 2016. She served as the assistant general manager of the Company, deputy general manager of the basic fertilizer division and general manager of the potash fertilizer department from January 2017 to May 2020. Ms. Chen was promoted to her present position in May 2020 and has concurrently served as general manager of Potash division and a director of certain subsidiaries of the Company and the chairman of the board of supervisors of Qinghai Salt Lake Industry Co., Ltd..

Ms. WANG Fang – Deputy General Manager

Ms. WANG Fang, aged 50, 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 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 general manager of the Company, deputy general manager of the basic fertilizer division, and general manager of the phosphate fertilizer department from January 2017 to May 2020. Ms. Wang was promoted to her present position in May 2020, and has concurrently served as general manager of Phoschem division and a director of certain subsidiaries of the Company.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Corporate Governance Code contained in Appendix 14 to the Listing Rules in effect for the year ended 31 December 2022 includes the mandatory disclosure requirements for disclosure in the corporate governance report for listed companies and sets out the principles of good corporate governance, the code provisions on a "comply or explain" basis and certain recommended best practices. For the year ended 31 December 2022, the Company has complied with the applicable code provisions set out in the Corporate Governance Code, except for the deviations from the code provisions C.5.7 and F.2.2 as described below.

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

The code provision F.2.2 provides that, among others, the chairman of the board should attend the annual general meeting of the listed issuer. In the annual general meeting of the Company held on 17 June 2022 (the "2022 AGM"), Mr. J. Erik Fyrwald, the then Chairman of the Board, did not chair the meeting due to other essential business engagements. In order to ensure smooth holding of the 2022 AGM, Mr. Fyrwald authorized and the Directors attending the meeting elected Mr. Harry Yang, the then 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 2022 AGM and were available to answer relevant questions, which was in compliance with other part of code provision F.2.2.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 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 2022, 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.

Subsequent to 31 December 2022, the following changes occurred in the composition of the Board:

1. On 6 January 2023, Mr. J. Erik Fyrwald tendered his resignation as a Non-executive Director and the Chairman of the Board of the Company due to his intention to focus on his other work commitments and engagements. On the same date, Mr. LIU Hongsheng was appointed as a Non-executive Director and the Chairman of the Board of the Company.

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

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

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

The biographical details of the current Directors are set out on pages 42 to 45 of this annual report.

Executive Directors

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

Non-executive Director

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

Independent Non-executive Directors

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

Appointment, re-election and removal of Directors

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

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

Independence of the Board

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

The Board has noticed that Mr. Ko Ming Tung, Edward and Mr. Tse Hau Yin, Aloysius, both Independent Non-executive Director of the Company, have served the Board for more than nine years. Pursuant to code provision B.2.3 set out in the Corporate Governance Code, inter alia, if an independent non-executive director has served more than nine years, such director's further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should state why the board (or the nomination committee) believes that the director is still independent and should be re-elected. In this regard, the re-appointment of each of Mr. Ko and Mr. Tse as Independent Non-executive Director of the Company were approved by shareholders in separate resolution at the annual general meeting of the Company held on 7 June 2021. While serving more than nine years could be relevant to the determination of independence, it is well recognized that an individual's independence cannot be determined arbitrarily on the basis of a set period of time. In assessing the independence of Independent Non-executive Directors, the Board and the Nomination Committee will consider 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.

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

- For the year ended 31 December 2022 and up to 6 January 2023 – Mr. J. Erik Fyrwald, Mr. Qin Hengde and Mr. Feng Mingwei

- From 6 January 2023 up to the date of this report – Mr. Liu Hongsheng and Mr. Ma Yue

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. During the year ended 31 December 2022, Mr. J. Erik Fyrwald, as the Chairman of the Board, took the responsibility to lead and ensure the effective management of the Board; while Mr. Qin Hengde, as the Chief Executive Officer, took the responsibility for the effective implementation of the policies formulated by the Board and the management of the businesses and operations of the Group.

During the year, Mr. 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 and financial budgets 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 formulate the purpose, values and strategy of the Company and to align the Company's culture with such purpose, values and strategy;

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

3. to review the dividend policy of the Company;

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

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

The Board is also responsible for overseeing the preparation of the annual consolidated financial statements which ensures a true and fair view of the state of affairs and of the results and cash flows of the Group for the year. In preparing the consolidated financial statements for the year ended 31 December 2022, 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 new developments of corporate governance rules and recent cases of non-compliance. All Directors have attended the seminar.

In addition, during the year ended 31 December 2022, 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)* *(note)*	✓	✓
Mr. Feng Mingwei *(note)*	✓	✓
Mr. Harry Yang *(note)*	✓	✓
Non-executive Director		
Mr. J. Erik Fyrwald *(Chairman)* *(note)*	✓	✓
Independent Non-executive Directors		
Mr. Ko Ming Tung, Edward	✓	✓
Mr. Lu Xin	✓	✓
Mr. Tse Hau Yin, Aloysius	✓	✓

Note: On 6 January 2023, Mr. J. Erik Fyrwald, Mr. Qin Hengde and Mr. Feng Mingwei resigned as Directors of the Company. On 20 March 2023, Mr. Harry Yang resigned as a Director of the Company.

Board meetings

For the year ended 31 December 2022, the Board held four meetings to discuss and review the Group's strategies and planning, the Company's annual report, interim report, dividend proposals, a connected transaction, certain continuing connected transactions, disclosable transactions and other significant matters. The Board had also approved certain proposals in respect of amendments to Bye-law, internal policies, connected transactions, continuing connected transactions and other matters, by circulation of written resolutions during the year. The attendance rates of the members of the Board at the aforesaid Board meetings during the year ended 31 December 2022 are as follows:

	Attendance rate
Executive Directors	
Mr. Qin Hengde *(Chief Executive Officer)* *(note)*	4/4
Mr. Feng Mingwei *(note)*	4/4
Mr. Harry Yang *(note)*	4/4
Non-executive Director	
Mr. J. Erik Fyrwald *(Chairman)* *(note)*	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

Note: On 6 January 2023, Mr. J. Erik Fyrwald, Mr. Qin Hengde and Mr. Feng Mingwei resigned as Directors of the Company. On 20 March 2023, Mr. Harry Yang resigned as a Director of the Company.

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 2022. The Chief Financial Officer or the Director of Accounting of the Company and the external auditors also attended the meetings. The Audit Committee had also approved the proposal in respect of re-appointment of auditor by circulation of written resolutions during the year. The attendance rates of each of the committee members at the aforesaid meetings during the year ended 31 December 2022 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 2022;

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 Department of Discipline Inspection (Department of Audit and Law) (which is responsible for the internal audit functions of the Company) and was satisfied with their report and findings;

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

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

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

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

Remuneration Committee

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

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

The Remuneration Committee met twice during the year ended 31 December 2022. The Remuneration Committee had also approved or passed a few proposals by circulation of written resolutions during the year, and had reported the relevant proposals to the Board for review or approval, where applicable, in subsequent communications to the Board. The attendance rates of each of the committee members at the aforesaid meetings during the year ended 31 December 2022 are as follows:

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

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

1. evaluated the performance of Executive Directors and senior management and approved the proposals on performance bonus and appraisal award for Executive Directors and senior management for the year 2021, mainly 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 2022;

3. made recommendation to the Board in respect of the compensation proposals for Non-executive Directors and Independent Non-executive Directors for the year 2022;

4. approved the appointment of remuneration consultant; and

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

Remuneration policy of the Group

The key components of the Group's remuneration package include basic salary, and where applicable, other allowances, annual performance bonus and other rewards, mandatory provident funds and state-managed retirement benefits scheme. 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 2022, the Group had about 4,504 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 2022, the Group provided around 3,512 person-times or 73,571 hours of training (any training organized by the subsidiaries has not been included in these numbers) to employees. The training courses covered areas such as strategy implementation, corporate culture, leadership enhancement, marketing management, technical exchanges, digital transformation, compliance risks, epidemic control and prevention, finance, human resource management, safe production, language enhancement 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. During the year ended 31 December 2022, the Nomination Committee comprised 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. On 20 March 2023, Mr. Harry Yang resigned and Mr. Wang Jun, the newly appointed Executive Director of the Company, was appointed as a member of the Nomination Committee.

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 2022. The attendance rates of each of the committee members at the aforesaid meeting during the year are as follows:

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

Note: On 20 March 2023, Mr. Harry Yang resigned as a member of the Corporate Governance Committee.

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

1. reviewed the structure, size and composition, including board diversity, of the Board. After reviewing the policy on board diversity, the Nomination Committee was satisfied with its implementation and effectiveness except for the lack of gender diversity in the Board. In the Board meeting held in March 2022, the Nomination Committee made suggestions to the Board to appoint at least one female director before the year ending 31 December 2024 to comply with the new requirements under the Corporate Governance Code;

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

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

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

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

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

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

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

2. professional and educational background;

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

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

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

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

Board diversity policy of the Company

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

During the year, the Nomination Committee had reviewed the Board composition of the Company and considered that the then existing Board's composition is diversified in terms of age, 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. On 20 March 2023, the Board appointed one female director, achieving the gender diversity target of the Board. For the year ended 31 December 2022, the Group has total headcount of 4,504 employees (including senior management), of which 3,603 employees are male and 901 employees are female. The Board considered that such gender ratio of employees is appropriate to the operations of the Group.

The table below shows the headcount analysis on the diversity of the then Board members as at 31 December 2022:

	Years of Service as Board members			
Age	**Less than 5 years**	**6 to 10 years**	**Over 10 years**	**Total**
Age 46-55	–	1	–	1
Age 56-65	2	1	2	5
Age 66-75	–	–	1	1
Total	2	2	3	7

Position	Skills and Knowledge 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. During the year ended 31 December 2022, the Corporate Governance Committee comprised four members. The Chairman of the Corporate Governance Committee was Mr. Qin Hengde (the then Executive Director and Chief Executive Officer), and the other members of the Corporate Governance Committee were Mr. Feng Mingwei (the then Executive Director), Mr. Harry Yang (the then Executive Director) and Ms. Cheung Kar Mun, Cindy (Company Secretary). On 6 January 2023, Mr. Qin Hengde and Mr. Feng Mingwei resigned as Chairman and member of the Corporate Governance Committee respectively and on the same date, Mr. Ma Yue (the current Executive Director and Chief Executive Officer) was appointed as the Chairman of the Corporate Governance Committee. In addition, on 20 March 2023, Mr. Harry Yang resigned and each of Mr. Wang Jun and Ms. Wang Ling, newly appointed Executive Directors, were appointed as a member of the Corporate Governance Committee.

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 2022. The attendance rates of each of the committee members at the aforesaid meeting are as follows:

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

Note: On 6 January 2023, Mr. Qin Hengde and Mr. Feng Mingwei resigned as Chairman and member of the Corporate Governance Committee, respectively. On 20 March 2023, Mr. Harry Yang resigned as a member of the Corporate Governance Committee.

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

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

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

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

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

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

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

7. monitored the Company's process in the preparation of the 2021 Environmental, Social and Governance Report ("2021 ESG Report") and reviewed the related disclosures. The Corporate Governance Committee was satisfied with the process and noted in the independent assurance statement that the disclosure for general disclosures and key performance indicators of environmental and social subject areas in the 2021 ESG Report have been provided in accordance with the "Comply or Explain" provision, in all material aspects, in alignment with the ESG Reporting Guide of the Stock Exchange; and

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

COMMUNICATION WITH SHAREHOLDERS

Shareholders communication policy

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

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

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

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

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

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

Dividend policy

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

General meetings

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

2022 AGM of the Company was held on 17 June 2022, in which Mr. Harry Yang, the then 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 2022 AGM and were available to answer relevant questions. The attendance rates of each of the Directors at the 2022 AGM are as follows:

	Attendance rate
Executive Directors	
Mr. Qin Hengde *(Chief Executive Officer)* *(note)*	0/1
Mr. Feng Mingwei *(note)*	0/1
Mr. Harry Yang *(note)*	1/1
Non-executive Director	
Mr. J. Erik Fyrwald *(Chairman)* *(note)*	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

Note: On 6 January 2023, Mr. J. Erik Fyrwald, Mr. Qin Hengde and Mr. Feng Mingwei resigned as Directors of the Company. On 20 March 2023, Mr. Harry Yang resigned as a Director of the Company.

During the year, two special general meetings of the Company were held for approving various continuing connected transactions and 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)* *(note)*	0/2
Mr. Feng Mingwei *(note)*	0/2
Mr. Harry Yang *(note)*	2/2
Non-executive Director	
Mr. J. Erik Fyrwald *(Chairman)* *(note)*	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

Note: On 6 January 2023, Mr. J. Erik Fyrwald, Mr. Qin Hengde and Mr. Feng Mingwei resigned as Directors of the Company. On 20 March 2023, Mr. Harry Yang resigned as a Director of the Company.

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. The Bye-laws of the Company was amended and a new Bye-laws which consolidate all the amendments was adopted by shareholders on 17 June 2022. The amendments were made to amongst others, (i) provide for flexibility for the Company to convene and hold electronic or hybrid meetings; (ii) comply with the Core Shareholder Protection Standards as set out in Appendix 3 of the Listing Rules; and (iii) incorporate housekeeping amendments.

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 2022, 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 2022 were as follows:

	For the year ended 31 December	
Nature of services	**2022** ***RMB'000***	2021 *RMB'000*
Audit service (including audit of financial statements and other audit related projects)	**3,750**	3,850
Tax related service	**125**	152
Total	**3,875**	4,002

FINANCIAL MANAGEMENT

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

In terms of team building, the Group insisted on conducting internal organization and talent review, mid-year training, monthly special meetings and professional appraisal. With external financial personnel and outstanding 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 management and performance analysis, the Group constantly improved the overall budget management system and paid attention to the breakdown of the budget and accountability. The Group utilized management tools including 369 rolling forecast and the risk and opportunity (R&O) analysis to strengthen process monitoring, and guaranteed the achievement of annual targets through deviation rectification in the process of development. It consolidated quality and efficiency improvement and cost management, and established a closed-loop cost management system by implementing the standard cost method in major production plants. The Group promoted the implementation of comprehensive benchmarking, and compared its performance with advanced enterprises. 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 management and performance analysis.

In terms of fund management, under the impact of the ongoing pandemic and geopolitical conflicts, global inflation continued to rise in 2022. The Federal Reserve, European Central Bank and the central banks of emerging economies continued rate hikes, and the rapid rise in exchange rates resulted in depressed liquidity in the capital markets and kept direct international financing markets subdued. Benefiting from the room for monetary policy adjustment provided by lower domestic inflation, the Chinese central bank guided money market rates and policy rates downward to boost the economy and money flow, and the money market rate pivot remained low. The Group further strengthened its cooperation with Sinochem Finance and external banks of strategic alliance, maintained sufficient banking facilities, brought into full play the advantage of integrated operation of both domestic and overseas resources, strengthened the allocation and utilization of internal capital of the Group and increased the capital turnover rate. It deepened the refined management of capital resources, and improved the yield of capital on the basis of ensuring safety and flexibility. Capitalizing on direct financing channels, the Group chose to issue super and short-term commercial paper to reduce its financing costs. The Group also actively developed forward settlement methods including bank acceptance bill and letter of credit, further tightened the access list of bank acceptance bills to enhance the accuracy of funding plans, reduced utilization of working capital and promoted the continuous improvement of cash flow of operating activities in order to reduce the capital cost.

In 2022, the domestic economic development was under pressure due to the ongoing impact of the pandemic. The aggressive monetary policy of the Federal Reserve led to an overall downward trend in the effective exchange rate index of the RMB against a basket of currencies throughout the year. In the face of the complex and volatile macroeconomic conditions, the Chinese central bank sent positive signals to the market by lowering the foreign exchange deposit reserve twice and extending the trading hours of the interbank foreign exchange market to boost confidence in the stability of the RMB. With the gradual optimization of the anti-pandemic policy, market growth expectations were enhanced and the RMB exchange rate gradually stabilized and rose amidst fluctuations in late 2022. Based on our import-based business model, the Group continued to adopt prudent countermeasures and took various measures to reduce the adverse impact of exchange rate fluctuations on the Group, 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 D.2 of the Corporate Governance Code 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 ensuring the design rationality and operational effectiveness of the internal control system and constantly improving the operational management level and risk prevention capability. The Board of the Company is responsible for the sound establishment and effective implementation of internal controls and the managerial level is responsible for organizing and leading the implementation and operation of the Group's internal controls. During the year, the Financial Management Department, the Department of Discipline Inspection (Department of Audit and Law) and other departments of the Company were responsible for the implementation of internal control evaluation and promoted relevant work through evaluation for steady development of the Group.

The Group carries out the internal control evaluation once a year to implement the working mechanism of unified leadership and graded responsibility, which is divided into self-assessment of internal control and supervision on evaluation. Each functional department and unit will conduct self-evaluation from January to December 2022 by combining its own management position and business characteristics against the "2022 Evaluation Working Draft on Annual Internal Control", and conduct self-evaluation item by item according to the core indicators and control scopes, so as to objectively, truthfully and accurately reveal the internal control defects and risks in operation and management. Department of Discipline Inspection (Department of Audit and Law) will carry out supervision and evaluation in conjunction with inspection of supervision, audit of internal control, audit of economic responsibility and other types of audit to ensure that all subsidiaries are covered for three years from 2023 to 2025. The internal control supervision and evaluation focuses on the establishment of internal control evaluation mechanism and the development of internal control evaluation of the key subsidiaries; internal control of financial management and the authenticity of accounting information; the establishment and improvement of the risk prevention and control mechanism; subsidiaries with "zero defects" in self-evaluation of internal control; and the rectification of internal control defects that occurred in the subsidiaries in the past three years. Through the cultivation of healthy internal control evaluation and improvement of the information communication mechanism, the internal control management of the Group was improved in a practical manner.

During the year, Department of Discipline Inspection (Department of Audit and Law) 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 annual audit plan was formulated in a scientific manner to monitor and examine the internal control, risk management, and governance system in respect of environmental, social and governance aspects of the Group. During the year, Department of Discipline Inspection (Department of Audit and Law) of the Group strengthened the supervision of epidemic prevention and control, promoted the subsidiaries to actively resume work and production, and organized and implemented five audit projects through a combination of remote audits and on-site audits, covering various types of audit such as internal control audit, financial responsibility audit, production and operation audit, special audit, etc. A total of nine key branches and subsidiaries of the Group were in the scope of audit. It also regularly reports to the Audit Committee on the implementation of the annual audit and the use of resources to ensure that the supervision, inspection and internal audit are standardized and effective, and to promote the standardized operation of power and the improvement of operation and management.

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 obtaining the approval from relevant authorities such as the Board of the Group, 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 2022, it had a relatively good internal control environment, systematically identified, assessed and coped with risks the Group faced, established a sound and complete internal system and normative business processes. The internal control and risk management system of the Group was adequate and effective and could reasonably secure the strategy promotion and current business development of the Group. 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 Group's strategic objectives.

Risk Management

The Group adopted a risk management model for which the general manager is responsible under the leadership of the Board of Directors 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, compliance department and auditing and supervision department.

In 2022, the Group continued to carry out comprehensive risk identification and assessment work. All functional departments of the headquarters and their subordinate units predicted major risks faced by the Group, with reference to internal and external environment, scientifical identification and assessment, including but not limited to environmental, social and governance related risks of significance. This determines the annual focus on the control of risks, 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 the severe and complicated external economic situation as a result of geopolitical conflicts, impact of the COVID-19 pandemic, industry competition and other factors, the fertilizer prices of the Group fluctuated considerably. Against the background of certain strategic and business innovations, the Group continued to strengthen risk management, enhance monitoring of indicators of material control risks and reinforce monthly disclosure of significant risk events. During 2022, the Group continued to adopt various forms of risk communication training. In 2022, the Group organized a total of 27 sessions for "business leaders" and middle and back office managers to talk about risks and professional departmental training to further enhance the promotion of risk culture among all employees and create a risk control atmosphere of "sound operation and healthy development". The Group has also focused on strengthening compliance and risk control collaboration and established a cross-departmental compliance and risk control collaboration mechanism to discuss business requirements, problems and potential risks as well as solutions. In the fourth quarter of 2022, 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. In particular, ethics and integrity and compliance controls are strengthened. The headquarters further streamlined and improved management systems, optimized business processes and ensured that the business operations were carried out in a standard and orderly manner, laying the foundation for the quality development of the Group.

In 2022, 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, in 2022, due to the impact of the pandemic, the Company actively utilized digital and information-based means such as online meetings and online monitoring for daily management. At the same time, the Group continued to perform the internal inspection and evaluation function of risk management, and the headquarters took the lead in organizing special rectification work in a large-scale clean practice and compliant operations in the second half of the year. Through headquarters inspection, cross inspection and special inspection, the Group understood the risk management status of the business units, and followed up the rectification of problems found, which enhanced the quality and efficiency of risk management 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 2022, the outbreak of geopolitical conflicts and financial market turmoil have had a number of impacts on the global economy. As the pandemic gradually receded, the Chinese economy rebounded as a whole. The Chinese government has been implementing the spirit of the 20th National Congress, the Central Economic Work Conference, the Central Rural Work Conference and the No. 1 Central Document, focusing on consolidating and expanding the achievements of poverty alleviation, comprehensively promoting rural revitalization and accelerating the modernization of agriculture and rural areas, achieving quality and steady development of agriculture and achieving more than expected results in the development of the rural economy, further consolidating the goal of developing agriculture as the “ballast” of the economy.

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, solidly push forward the implementation of various strategic initiatives with the focus on reform and innovation. By adhering to the principle of customer-orientation, the Group optimized its operating model and devoted to the research and development of nutrient efficiency and biological products as well as promoted scientific planting and enhanced the channel digitalization capability to empower the upstream and downstream services of the industrial chain, thereby facilitating the development of modernized and intelligent agriculture with high technologies in China. Meanwhile, the Group proactively carried out work related to investor relations and information disclosure, and maintained adequate information exchange and communication with the capital market in respect of industrial market conditions, business operation of the Company and its corporate development strategy, which achieved good results.

In 2022, the work related to investor relations of the Group mainly included:

1. In March 2022, the Group announced the 2021 annual results of the Group and held telephone conference with analysts and media.

2. In August 2022, the Group announced the 2022 interim results of the Group and held telephone conference with analysts and media.

Apart from the above-mentioned press conferences for results announcement, the Group also attended 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.

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

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

HEALTH, SAFETY AND ENVIRONMENT

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

In 2022, 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 2022, in the face of the recurrent outbreak of the pandemic in China, the Group strictly followed the unified plan of the local governments, Sinochem Holdings and Syngenta Group China, and further strengthened the management of pandemic prevention and control while keeping a tight grip on production. Combining with changes in the pandemic to strictly control the movement of personnel, reduce operating risks and maintain the amount of pandemic protection supplies for 3 months, the Group focused on the reserves of spare parts which may impact production and operation and provided a reliable guarantee of personnel and supplies for the stable operation of facilities. By fighting for transportation and shipping capacity, breaking the logistics bottleneck, adjusting the logistics mode according to the market demand in a timely manner, giving full play to the advantages of railroads, highways, sea transportation and other resources to ensure the normal shipping of products.

In 2022, the Group implemented relevant national policies and systematically improved HSE management with FORUS system construction as the core. The Group implemented leadership and job responsibilities with all levels seriously performing their HSE responsibilities. The Group consolidated the basic management of the grassroot staff, improved the ability of frontline staff and implemented standardized management of grassroots work. The Group successfully completed a three-year action plan for rectification of production safety, with a 100% completion rate. The production and storage units of dangerous chemicals comprehensively launched "double prevention mechanism" and "special operation" digital construction, and implemented information-based control. Through the upgrading of engineering measures and management methods, the operating environment was improved. Multiple measures were taken to focus on the mental health of the personnel and provide effective guidance in order to protect 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 deepened the fight against pollution and implemented pollution prevention and control of water, air, soil and solid waste. The Group used advanced technologies and equipment to continuously reduce emissions, reduce the impacts on the environment, and promote harmonious coexistence with the environmental protection. The Group formulated emergency plans for sudden environmental pollution incidents, equipped themselves with necessary emergency materials and seriously performed emergency response exercises. In 2022, no material environmental pollution incident was identified.

In 2022, an actual investment of RMB214.97 million was made in the Group's environmental protection, including RMB140 million in Sinochem Fuling, RMB59.40 million in Sinochem Yunlong, RMB7.56 million in Sinochem Changshan, RMB7.19 million in Sinochem Shandong Fertilizer Co., Ltd. and RMB0.82 million in Sinochem Agricultural Ecological Technology (Hubei) Co., Ltd.

In 2022, the Group fully achieved its energy-saving and emission reduction targets. The emissions of SO2, NOX, COD and NH3-N were 222.45 tons, 365.24 tons, 64.67 tons and 9.86 tons, respectively. Sinochem Changshan activated a CO2 liquefaction plant to recover liquefied CO2 and make efforts to reduce carbon emission. Sinochem Changshan received an A-grade performance rating for heavy pollution weather.

Environmental, Social and Governance Report

The Company published its 2022 Environmental, Social and Governance Report simultaneously with this annual report 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 building of strategic procurement capacity and management of core suppliers, stabilized the international and domestic supply system, built a diversified supply chain, guaranteed the long-term and stable supply of high-quality fertilizer resources for the Group and continued to maintain its position as a large fertilizer importer of China; on the other hand, it explored key markets and maintained close cooperation with core customers, grasped the industrial chain by integrated cooperation of upstream and downstream operations, formed a strong linkage between the upstream and downstream operations and became an important player in the supply chain of basic fertilizers. In 2022, the Group followed the strategy of in-depth distribution, and the proportion of straight service for big growers continued to increase.

In 2022, the aggregate revenue generated from the five major customers of the Group accounted for no more than 20% of the Group's total revenue. Over the years, the Group maintained a stable business relationship with Shandong Sunfull Chemical Group Co., Ltd. ("Sunfull Chemical"), one of the major customers of the Group.

In 2022, the aggregate purchase from the Group's five major suppliers accounted for no more than 20% of the Group's total purchases. As the most important domestic potash supplier for the Group, Qinghai Salt Lake maintained a long-term business relationship with the Group and supplied potash products to the Group by means of payment upon delivery or payment in advance.

The Group closely followed up on the operation status of the major customers and suppliers and attached credit insurance to each of them. In 2022, the Group maintained sound cooperation with its major customers and suppliers.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

DIRECTORS' REPORT

The Board of Directors of the Company hereby presents the Directors' Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding.

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

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 101 to 102 of the annual report.

The Board recommended the payment of a final dividend of HK$0.0623 (equivalent to RMB0.0557) per share for the year ended 31 December 2022 (2021: HK$0.0528, equivalent to RMB0.0432) to the shareholders, estimated to be HK$437,624,000 (equivalent to approximately RMB390,929,000) out of the contributed surplus of the Company. It is expected that the relevant dividend will be paid by 25 July 2023 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 204 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 2022. 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 2022.

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 36 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 106 to 107 of the annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2022, 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 RMB1,215,258,000 (2021: RMB1,396,576,000). The amount represented the credit standing in the contributed surplus and retained earnings of the Company as at 31 December 2022.

DONATIONS

During the year ended 31 December 2022, the Group had made approximately RMB964,000 charitable donations in cash and made donations of other items worth approximately RMB35,000.

DIRECTORS

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

Executive Directors

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

Non-Executive Directors

Mr. J. Erik Fyrwald *(Chairman)*	*(resigned on 6 January 2023)*
Mr. Liu Hongsheng *(Chairman)*	*(appointed on 6 January 2023)*

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. Ko Ming Tung, Edward will retire at the forthcoming annual general meeting of the Company and being eligible, offer himself for re-election. In addition, newly appointed directors, Mr. Liu Hongsheng, Mr. Ma Yue, Mr. Wang Jun and Ms. Wang Ling, shall hold office until the next following annual general meeting in accordance with the Bye-laws of the Company, and shall be eligible for re-election.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management of the Company are set out on pages 42 to 46 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 2022 and up to the date of this report are as follows:

1. Mr. J. Erik Fyrwald, Mr. Qin Hengde and Mr. Feng Mingwei resigned as Directors of the Company on 6 January 2023, while Ms. Harry Yang resigned as a Director of the Company on 20 March 2023.

2. The total cash compensation received/receivable by Mr. Qin Hengde, Mr. Feng Mingwei and Mr. Harry Yang, the then Executive Directors of the Company, for the year ended 31 December 2022, are set out in note 10 to the consolidated financial statements.

3. Mr. Tse Hau Yin, Aloysius, an Independent Non-executive Director of the Company, resigned as independent non-executive directors of CCB International (Holdings) Limited and China Telecom Corporation Limited on 31 December 2022 and 6 January 2023 respectively.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2022, the Company had entered into service contract with Mr. Harry Yang, the then Executive Director of the Company, which had a term of three years and would be renewable upon mutual negotiation on expiry. On 20 March 2023, upon retirement of Mr. Harry Yang, such service contract has expired.

Except for the above, the Company had issued formal letters of appointment to other Directors of the Company, setting out key terms and conditions of their appointment and in compliance with the code provision C.3.3 as set out in the Corporate Governance Code.

Save as disclosed above, as at 31 December 2022, none of the Directors has a service contract with the Company.

DIRECTORS' INTERESTS IN THE SHARES

As at 31 December 2022, 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 2022, 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 2022, 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 2022, 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 2022, other than the Directors or chief executives of the Company, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that, the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company:

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

Notes:

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

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

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

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

Save as disclosed above, other than the Directors or chief executives of the Company, the Company has not been notified of any other relevant interests or short positions held by any other person in the issued share capital of the Company as at 31 December 2022, 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 6 January 2023, Mr. Feng Mingwei, the then Executive Director of the Company, was a director and the vice chairman of the board of directors of Qinghai Salt Lake. Qinghai Salt Lake is a joint stock limited liability company incorporated in the PRC whose shares are traded on the Shenzhen Stock Exchange (stock code: 000792). The principal activities of Qinghai Salt Lake include the development, production and sale of potassium chloride (a form of potash), and the comprehensive development and utilization of saltlake resources.

As at 31 December 2022, the board of directors of Qinghai Salt Lake consists of 13 directors. Mr. Feng Mingwei was not involved in the daily production, sale, operation or management of Qinghai Salt Lake. Mr. Feng Mingwei has extensive experience in the fertilizer industry, was aware of his duties and responsibilities as the Director and senior management member of the Company, and was able to devote sufficient time to the business of the Group. The Company believes that Mr. Feng Mingwei had exercised his 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 2022 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 2022, 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. *Export Contract entered into between Sinochem Macao and Canpotex*

On 3 March 2022, Sinochem Macao and Canpotex entered into the Export Contract, pursuant to which Sinochem Macao agreed to purchase no more than 77,000 tonnes of potash from Canpotex at a unit price of US$590 per tonne for a total consideration of no more than US$45,430,000.

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

2. *Agreement for the Use of Fund entered into between Sinochem Fertilizer and Sinochem Agriculture*

1) *Agreement for the Use of Fund and its 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 RMB1,000,000,000 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.

2) *New Agreement for the Use of Fund*

On 5 August 2022, Sinochem Fertilizer (as the lender) and Sinochem Agriculture (as the borrower) entered into the New Agreement for the Use of Fund, pursuant to which Sinochem Fertilizer agreed to continue to provide the Fund in an amount of not more than RMB1,000,000,000 to Sinochem Agriculture. The interest rate of the Fund shall be the latest loan prime rate quotation (the "LPR") for one-year loan as published by the PBOC, less 70 basis points. The interest rate of the Fund shall be adjusted on a quarterly basis based on the latest one-year LPR. The New Agreement for the Use of Fund shall take effect on the date of approval by the independent shareholders at the special general meeting and expire on 31 December 2024. Sinochem Agriculture shall use the Fund for its daily operations (such as grain purchasing and storage) and acquisition of fixed assets.

Sinochem Fertilizer is an indirect wholly-owned subsidiary of the Company. Sinochem Holdings is the ultimate controlling shareholder of the Company, indirectly holding approximately 52.65% of the total issued shares of the Company, and is therefore a connected person of the Company. Sinochem Agriculture is an indirect wholly-owned subsidiary of Sinochem Holdings and also a connected person of the Company. As such, the transactions under the Agreement for the Use of Fund (as revised by the Supplemental Agreement) and the New Agreement for the Use of Fund constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that one or more of the applicable percentage ratios in respect of the 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.

Given that one or more of the applicable percentage ratios in respect of the transaction under the New Agreement for the Use of Fund are more than 5%, such transaction is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, given that the applicable percentage ratios in respect of the maximum amount of the Fund provided under the New Agreement for the Use of Fund and the maximum daily outstanding balance of the Deposit Services under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) (please see the section headed "II. Continuing Connected Transactions – 4. Financial Services Framework Agreement and its Supplemental Agreement entered into between the Company and Sinochem Finance" below for details) in aggregate are more than 25% but less than 100%, such transactions in aggregate also constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement and shareholders' approval requirements.

For detailed information on the aforesaid transactions, please refer to the announcements dated 8 November 2019, 17 August 2020 and 5 August 2022 and the circulars dated 2 September 2020 and 14 September 2022 published by the Company. The transactions under the Agreement for the Use of Fund (as revised by the Supplemental Agreement) and the New Agreement for the Use of Fund have been approved by the independent shareholders of the Company at the special general meetings of the Company held on 17 September 2020 and 29 September 2022, respectively.

II. Continuing Connected Transactions

For the year ended 31 December 2022, the Group's continuing connected transactions are listed below, which are subject to the reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of the following continuing connected transactions. During the year, the Company have followed the pricing policies and guidelines formulated at the time when such transactions were entered into.

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

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

For the three years ending 31 December 2024, the annual caps in respect of the purchase of agricultural products by Sinochem Fertilizer from subsidiaries of Sinochem Holdings are RMB410,000,000, 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.

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

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

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

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

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

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

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

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

3. Framework Agreement entered into between Sinochem Macao and Canpotex

On 8 March 2022, Sinochem Macao and Canpotex entered into the Framework Agreement, pursuant to which Canpotex agreed to sell and Sinochem Macao agreed to purchase approximately 600,000 tonnes (+/-10% at seller's option) of potash produced in Canada during the term up to 31 December 2022.

Products supplied under the Framework Agreement consisted of one or more grades of potash. The unit price of red standard grade potash should be US$590 per tonne, and the unit price of other grades of potash should be determined through mutual negotiations between the parties. Prices of potash (including the fixed price of red standard grade potash and prices of other grades of potash) had been and would be determined with reference to the prevailing international market potash prices and competitive sea import prices to the PRC.

The annual cap for the year ended 31 December 2022 in respect of the continuing connected transactions under the Framework Agreement was US$396,000,000.

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

For detailed information on the aforesaid transactions, please refer to the announcement dated 8 March 2022 and the circular dated 8 April 2022 published by the Company. The continuing connected transactions under the Framework Agreement have been approved by the independent shareholders of the Company at the special general meeting of the Company held on 27 April 2022.

4. ***Financial Services Framework Agreement and its Supplemental 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 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.

On 5 August 2022, the Company and Sinochem Finance entered into the Supplemental Agreement to revise the maximum daily outstanding balance of deposits placed by the Group with Sinochem Finance under the Financial Services Framework Agreement, and to renew the term of the Financial Services Framework Agreement to 31 December 2024.

For each of the three years ending 31 December 2024, the maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance is RMB2,000,000,000, and the annual cap in respect of the Other Financial Services is RMB10,000,000.

Sinochem Finance is a subsidiary of Sinochem Holdings, and is therefore a connected person of the Company. As such, the transactions contemplated under the Financial Services Framework Agreement (as revised and renewed by the Supplemental 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 (as revised and renewed by the Supplemental Agreement) are more than 5%, the Deposit Services are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, given that the applicable percentage ratios in respect of the maximum daily outstanding balance of the Deposit Services under the Financial Services Framework Agreement (as revised and renewed by the Supplemental Agreement) and the maximum amount of the Fund provided under the New Agreement for the Use of Fund (please see the section headed "I. One-off Connected Transactions – 2. Agreement for the Use of Fund entered into between Sinochem Fertilizer and Sinochem Agriculture" above for details) in aggregate are more than 25% but less than 100%, such transactions in aggregate also constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement and shareholders' approval requirements.

Given that the applicable percentage ratios in respect of the annual caps of the Other Financial Services under the Financial Services Framework Agreement (as revised and renewed by the Supplemental 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 announcements dated 24 August 2021 and 5 August 2022 and the circulars dated 14 September 2021 and 14 September 2022 published by the Company. The continuing connected transactions under the Financial Services Framework Agreement (as revised and renewed by the Supplemental 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 September 2022.

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

1) UK Service Agreement

On 9 December 2019, Sinochem Macao and Sinochem UK entered into the UK Service Agreement, pursuant to which Sinochem UK should 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 should range from US$4 to US$10 per tonne of products.

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

2) New UK Service Agreement

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

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

Sinochem UK is an indirect wholly-owned subsidiary of Sinochem Holdings, and is therefore a connected person of the Company. As such, the transactions contemplated under each of the UK Service Agreement and the New 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 each of the UK Service Agreement and the New 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 announcements dated 9 December 2019 and 13 December 2022 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 2022 are set out below:

Name of Transactions	Currency	For the year ended 31 December 2022 Annual caps *('000)*	Annual transacted amount *('000)*
1. Agricultural Products Purchase and Sale Framework Agreement entered into between Sinochem Fertilizer and Sinochem Holdings			
(i) Purchase of agricultural products from subsidiaries of Sinochem Holdings	RMB	410,000	336,705
(ii) Sale of agricultural products to subsidiaries of Sinochem Holdings	RMB	2,260,000	1,414,826
2. Fertilizer Import Framework Agreement entered into between Sinochem Fertilizer and Sinochem Group			
(i) Purchase of fertilizer and other fertilizer raw materials by Sinochem Group from overseas subsidiaries of the Company	US$	2,000,000	746,059
(ii) Sale of fertilizer and other fertilizer raw materials by Sinochem Group to Sinochem Fertilizer (or other domestic subsidiaries of the Company)	RMB	13,135,000	5,146,906
3. Framework Agreement entered into between Sinochem Macao and Canpotex	US$	396,000	245,610
4. Financial Services Framework Agreement and its Supplemental Agreement entered into between the Company and Sinochem Finance			
(i) Maximum daily outstanding balance of the deposits placed by the Group with Sinochem Finance	RMB	2,000,000	1,960,000
(ii) Other Financial Services provided by Sinochem Finance (other than loans provided to the Group)	RMB	10,000	168
5. UK Service Agreement entered into between Sinochem Macao and Sinochem UK	US$	2,300	1,900

Transactions with joint ventures and associate, and rental transactions with a subsidiary of the ultimate controlling shareholder, which are disclosed as related party disclosures in note 42 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 2022 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 stated that:

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

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

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

CONTRACTS OF SIGNIFICANCE BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDER

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

MAJOR DISCLOSEABLE EVENTS

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

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

1. During the year, Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, issued the first tranche of the super & short-term commercial paper for the year of 2022 in an amount of RMB600 million on 1 March 2022, with a term of 90 days and at a coupon rate of 2.08% per annum, for replenishing the working capital of the Group. Such amount was subsequently repaid on 31 May 2022.

2. Reference is made to the announcement of the Company dated 31 March 2021 in relation to the guarantee provided by Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, to Sinochem Finance under the Original Guarantee Contract, for the due performance of the repayment obligations of Yangmei Pingyuan to Sinochem Finance under the Original Loan Contract. The principal amount of the Original Loan under the Original Loan Contract was RMB670,000,000, which was due for repayment on 16 December 2022.

On 9 December 2022, Yangmei Pingyuan and Sinochem Finance entered into the New Loan Contract, pursuant to which Sinochem Finance agreed to provide the New Loan in a principal amount of RMB670,000,000 to Yangmei Pingyuan upon its repayment of the Original Loan. The New Loan will be due for repayment on 9 June 2023. In view of the execution of the New Loan Contract, Sinochem Fertilizer (as the guarantor) entered into the New Guarantee Contract in favour of Sinochem Finance on 9 December 2022, pursuant to which Sinochem Fertilizer agreed to provide the Guarantee for the due performance of the repayment obligations of Yangmei Pingyuan to Sinochem Finance under the New Loan Contract. On the same day, Sinochem Fertilizer and Yangmei Pingyuan entered into the Guarantee Fee Agreement, pursuant to which Yangmei Pingyuan agreed to pay to Sinochem Fertilizer a guarantee fee with respect to the Guarantee every six months at a rate of 1% per year of the maximum guarantee amount under the New 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 9 December 2022 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 2022.

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 2022 and up to the date of this report.

REMUNERATION POLICY

The emoluments of the Directors of the Company are reviewed by the Remuneration Committee of the Company from time to time with reference to the qualifications, responsibilities, experience and performance of the individual Directors, and the operating results of the Group. Details of the remuneration policy of the Group are set out in the "Corporate Governance Report" on pages 57 to 58.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme of the Group are set out in note 45 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

Ma Yue
Executive Director and Chief Executive Officer

Hong Kong, 20 March 2023

KPMG

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

OPINION

We have audited the consolidated financial statements of Sinofert Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 101 to 203, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022 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	How the matter was addressed in our audit
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 2022. 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.	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 parallel analysis based on 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

20 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022
(Expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000
Revenue	4(a)	**23,002,701**	22,641,396
Cost of sales		**(20,426,224)**	(20,681,394)
Gross profit		**2,576,477**	1,960,002
Other income and gains	5	**119,192**	237,244
Selling and distribution expenses		**(607,312)**	(583,323)
Administrative expenses		**(661,983)**	(708,545)
Other expenses and losses	7(a)	**(373,230)**	(211,802)
Profit from operations		**1,053,144**	693,576
Share of results of associates		**53,499**	13,154
Share of results of joint ventures		**94,573**	184,459
Gain on disposal of subsidiaries		**8,021**	25,932
Finance costs	6	**(22,514)**	(16,999)
Profit before taxation	7(b)	**1,186,723**	900,122
Income tax	8(a)	**(61,777)**	(19,615)
Profit for the year		**1,124,946**	880,507
Profit for the year attributable to:			
– Owners of the Company		**1,117,206**	866,612
– Non-controlling interests		**7,740**	13,895
		1,124,946	880,507

For the year ended 31 December 2022
(Expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000
Profit for the year		**1,124,946**	880,507
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)		**23,540**	113,014
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**(12,729)**	(45,591)
Other comprehensive income for the year	9	**10,811**	67,423
Total comprehensive income for the year		**1,135,757**	947,930
Total comprehensive income attributable to:			
– Owners of the Company		**1,128,017**	934,035
– Non-controlling interests		**7,740**	13,895
		1,135,757	947,930
Earnings per share			
Basic and diluted (RMB)	13	**0.1590**	0.1234

The notes on pages 111 to 203 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 2022
(Expressed in RMB)

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	*14*	**4,265,891**	3,742,989
Right-of-use assets	*15*	**648,849**	469,604
Mining rights	*16*	**319,614**	346,747
Intangible assets	*17*	**12,827**	14,962
Goodwill	*18*	**849,538**	822,551
Interests in associates	*19*	**746,313**	630,804
Interests in joint ventures	*20*	**647,648**	654,047
Other equity securities	*21*	**189,004**	310,744
Prepayments for acquisition of property, plant and equipment		**271,827**	191,783
Deferred tax assets	*35*	**100,534**	80,656
Other long-term assets	*22*	**37,954**	30,335
		8,089,999	7,295,222
Current assets			
Inventories	*23*	**5,672,836**	4,801,502
Trade and bills receivables	*24*	**656,889**	726,503
Other receivables and prepayments	*25*	**2,137,029**	1,942,690
Other current assets	*26*	**896,538**	775,017
Loans to a related party	*27*	**–**	620,000
Other financial assets	*28*	**–**	2,737
Restricted bank deposits		**12,336**	16,930
Cash and cash equivalents	*29*	**3,356,184**	1,313,892
		12,731,812	10,199,271

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2022
(Expressed in RMB)

		As at 31 December	
	Note	**2022** **RMB'000**	2021 *RMB'000*
Current liabilities			
Trade and bills payables	*30*	**2,499,152**	2,412,497
Contract liabilities	*31*	**5,063,762**	3,319,138
Other payables and provision	*32*	**1,455,217**	1,307,643
Bank loans	*33*	**421,217**	52,215
Lease liabilities	*34*	**48,310**	33,005
Tax liabilities		**36,525**	33,825
		9,524,183	7,158,323
Net current assets		**3,207,629**	3,040,948
Total assets less current liabilities		**11,297,628**	10,336,170
Non-current liabilities			
Bank loans	*33*	**1,320,000**	989,000
Lease liabilities	*34*	**28,303**	19,521
Deferred income		**69,177**	184,132
Deferred tax liabilities	*35*	**128,690**	138,073
Other long-term liabilities		**19,812**	21,720
		1,565,982	1,352,446
NET ASSETS		**9,731,646**	8,983,724

At 31 December 2022
(Expressed in RMB)

		As at 31 December	
	Note	**2022** *RMB'000*	2021 *RMB'000*
CAPITAL AND RESERVES			
Issued equity	*36*	**5,887,384**	5,887,384
Reserves		**3,616,058**	2,855,684
Total equity attributable to owners of the Company		**9,503,442**	8,743,068
Non-controlling interests		**228,204**	240,656
TOTAL EQUITY		**9,731,646**	8,983,724

The consolidated financial statements on pages 101 to 203 were approved and authorized for issue by the board of directors on 20 March 2023 and are signed on its behalf by:

Ma Yue
Director

Wang Ling
Director

The notes on pages 111 to 203 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

(Expressed in RMB)

		Attributable to owners of the Company										
	Note	Issued equity RMB'000	Capital and other reserve RMB'000 (note a)	Statutory reserve RMB'000 (note b)	Contributed surplus RMB'000 (note c)	Fair value reserve (non-recycling) RMB'000 (note d)	Special reserve RMB'000 (note e)	Exchange reserve RMB'000 (note f)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 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	37	–	(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		–	–	–	–	–	–	–	–	–	773	773
Balance at 31 December 2021 and 1 January 2022		**5,887,384**	**559,119**	**366,484**	**1,391,058**	**(93,043)**	**71,488**	**(621,415)**	**1,181,993**	**8,743,068**	**240,656**	**8,983,724**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,117,206**	**1,117,206**	**7,740**	**1,124,946**
Other comprehensive income for the year		**-**	**-**	**-**	**-**	**23,540**	**-**	**(12,729)**	**-**	**10,811**	**-**	**10,811**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**23,540**	**-**	**(12,729)**	**1,117,206**	**1,128,017**	**7,740**	**1,135,757**
Maintenance and production fund	e	**-**	**-**	**-**	**-**	**-**	**1,467**	**-**	**(1,467)**	**-**	**-**	**-**
Acquisition of non-controlling interests of a subsidiary	37	**-**	**(50,457)**	**-**	**-**	**-**	**-**	**-**	**-**	**(50,457)**	**(15,495)**	**(65,952)**
Dividend declared	12	**-**	**-**	**-**	**(317,186)**	**-**	**-**	**-**	**-**	**(317,186)**	**(4,697)**	**(321,883)**
Disposal of other equity securities		**-**	**-**	**-**	**-**	**(104,384)**	**-**	**-**	**104,384**	**-**	**-**	**-**
Balance at 31 December 2022		**5,887,384**	**508,662**	**366,484**	**1,073,872**	**(173,887)**	**72,955**	**(634,144)**	**2,402,116**	**9,503,442**	**228,204**	**9,731,646**

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 111 to 203 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022
(Expressed in RMB)

	2022	2021
	RMB'000	*RMB'000*
Operating activities		
Profit before taxation	**1,186,723**	900,122
Adjustments for:		
Share of results of associates	**(53,499)**	(13,154)
Share of results of joint ventures	**(94,573)**	(184,459)
Dividend income from listed equity securities	**–**	(4,922)
Interest income from related parties	**(14,186)**	(32,080)
Other interest income	**(48,076)**	(16,285)
Fair value changes of financial assets	**403**	(104)
Fair value changes of forward foreign exchange contracts	**–**	429
Finance costs	**22,514**	16,999
Depreciation of property, plant and equipment	**196,502**	153,786
Depreciation of right-of-use assets	**62,120**	56,851
Amortization of mining rights	**27,133**	34,024
Amortization of intangible assets	**2,779**	2,655
Amortization of other long-term assets	**16,816**	13,136
Impairment loss on property, plant and equipment	**–**	31,349
Impairment loss on mining rights	**–**	98,774
(Reversal of)/impairment of trade and bills receivables	**(212)**	1,165
Impairment of other current assets	**6,904**	21,065
Impairment of other receivables and prepayments	**22,745**	1,453
Gain on disposal of subsidiaries	**(8,021)**	(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)
Loss/(gain) on disposal of property, plant and equipment	**10,929**	(29,531)
Provision for onerous contract	**–**	230,979
Write-down of inventories	**287,620**	52,674
Write-off of payables	**(2,984)**	(436)
Release of deferred income	**(7,625)**	(7,579)
Operating cash flows before movements in working capital	**1,614,012**	1,280,678
(Increase)/decrease in inventories	**(1,212,126)**	459,940
Decrease/(increase) in trade and bills receivables	**69,826**	(155,949)
Increase in other receivables and prepayments	**(263,912)**	(25,176)
Increase in deferred income	**14,470**	39,158
Increase in trade and bills payables	**65,882**	13,874
Increase in other payables and contract liabilities	**1,786,425**	11,283
Decrease/(increase) in restricted deposits	**4,594**	(16,930)

	2022 *RMB'000*	2021 *RMB'000*
Operating activities (continued)		
Cash generated from operations	**2,079,171**	1,606,878
Income tax paid	**(75,743)**	(38,316)
Net cash generated from operating activities	**2,003,428**	1,568,562
Investing activities		
Purchase of property, plant and equipment	**(1,190,682)**	(1,348,218)
Proceeds from disposal of property, plant and equipment	**217,849**	144,724
Proceeds from disposals of land use rights	**–**	577
Acquisition of intangible assets	**(644)**	(388)
Additions of other long-term assets	**(41,124)**	(46,336)
Purchase of land use rights	**–**	(8,484)
Loans repaid from related parties	**620,000**	1,000,000
Payment for purchase of other financial assets	**(403)**	(4,657)
Proceeds from sale of other financial assets	**2,737**	6,681
Interest received from related parties	**14,186**	32,080
Other interest income	**53,444**	12,752
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
Dividends received from an associate	**12,960**	1,395
Dividends received from joint ventures	**26,002**	–
Proceeds from disposal of listed equity securities	**132,683**	123,580
Net cash used in investing activities	**(152,992)**	(103,934)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2022
(Expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000
Financing activities			
Repayment of bank and other loans	29(b)	(1,597,215)	(3,745,741)
Proceeds from bank and other loans	29(b)	2,297,217	4,072,659
Repayment of short-term commercial paper	29(b)	(600,000)	(4,600,000)
Proceeds from short-term commercial paper	29(b)	600,000	3,600,000
Capital element of lease rentals paid	29(b)	(47,201)	(34,706)
Interest element of lease rentals paid	29(b)	(2,726)	(2,275)
Other Interest paid	29(b)	(77,148)	(69,803)
Capital injection from non-controlling interests		–	63,000
Payment for acquisition of non-controlling interests of a subsidiary	37	(65,952)	–
Dividends paid		(321,883)	(194,530)
Net cash generated from/(used in) financing activities		185,092	(911,396)
Net increase in cash and cash equivalents		2,035,528	553,232
Cash and cash equivalents at 1 January	29(a)	1,313,892	762,548
Effect of foreign exchange rate changes		6,764	(1,888)
Cash and cash equivalents at 31 December	29(a)	3,356,184	1,313,892

The notes on pages 111 to 203 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 44.

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 2022 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 HKAS 16, *Property, plant and equipment: Proceeds before intended use*

- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts-cost of fulfilling a contract*

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

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

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 39(e). 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)).

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment (continued)

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

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

Category	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 liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally 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 met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group took advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred..

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of 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 amount 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 that 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 fulfilling the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that 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.

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 Group 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 considers the exploitation mining right of Mozushao Phosphate deposit can be extended before it expires on 3 March 2027 in the estimation of future cash flows to be generated from the Sinchem Yunlong cash generating units (Note18). Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation are disclosed in note 18.

Provision of inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value of inventories is the expected selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. These estimates could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycles. The directors of the Company reassess these estimates at the end of each reporting period. 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 at 31 December 2022, the amount of provision for onerous contract is RMB68,911,000. 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:

	2022 *RMB'000*	2021 *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	4,027,895	3,416,235
– Sales of nitrogen fertilizer	3,057,428	4,908,801
– Sales of compound fertilizer	6,477,592	5,588,956
– Sales of phosphate fertilizer	5,767,023	5,026,005
– Sales of monocalcium/dicalcium phosphate ("MCP/DCP")	1,530,881	968,164
– Sales of special fertilizer	393,400	491,972
– Others	1,748,482	2,241,263
	23,002,701	22,641,396

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)

2022	Basic fertilizers *RMB'000*	Distribution *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue					
External revenue	13,001,182	7,434,558	2,566,961	–	23,002,701
Internal revenue	1,549,625	5,063	881,731	(2,436,419)	–
Segment revenue	14,550,807	7,439,621	3,448,692	(2,436,419)	23,002,701
Share of results of associates	–	–	59,842	–	59,842
Segment profit	700,258	184,588	516,173	–	1,401,019
Unallocated share of results of associates					(6,343)
Unallocated share of results of joint ventures					94,573
Unallocated expenses					(359,573)
Unallocated income					57,047
Profit before taxation					1,186,723

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)

(ii) Other segment information

2022	Basic fertilizers *RMB'000*	Distribution *RMB'000*	Production *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measures of segment profit:					
Reversal of trade and bills receivables	–	–	212	–	212
Impairment of other receivables and prepayments	–	–	–	(22,745)	(22,745)
Impairment loss on other current assets	–	–	(6,904)	–	(6,904)
Depreciation and amortization	(44,610)	(64,367)	(186,875)	(9,498)	(305,350)
Write-down of inventories	(250,519)	(33,153)	(3,948)	–	(287,620)
Loss on disposal of property, plant and equipment	4	(1,073)	(9,860)	–	(10,929)
Write-off of payables	471	2,495	15	3	2,984

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Other segment information (continued)

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

(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**	
	2022 ***RMB'000***	2021 *RMB'000*	**2022** ***RMB'000***	2021 *RMB'000*
Mainland China	**21,923,571**	21,972,912	**7,797,639**	6,902,732
Others	**1,079,130**	668,484	**2,822**	1,090
	23,002,701	22,641,396	**7,800,461**	6,903,822

5 OTHER INCOME AND GAINS

	2022 RMB'000	2021 RMB'000
Rental income	5,844	8,694
Dividend income from listed equity securities	–	4,922
Interest income from related parties	14,186	32,080
Other interest income	48,076	16,285
Fair value changes of other financial assets	–	104
Government grants *(Note (i))*	5,132	6,679
Sales of semi-product, raw materials and scrapped materials	–	47,941
Release of deferred income	7,625	7,579
Insurance claims received	6,386	15,788
Write-off of payables	2,984	436
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	28,959	13,334
	119,192	237,244

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 gain of RMB20,301,000 was recognized.

6 FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Interest on borrowings	**77,736**	55,775
Interest on lease liabilities	**2,726**	2,275
Less: interest expense capitalized *(Note)*	**(57,948)**	(41,051)
	22,514	16,999

Note: The capitalization rate used to determine the amount of borrowing costs eligible for capitalization related to construction of production lines is 4.12% (2021: 2.86%) for the year ended 31 December 2022.

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Other expenses and losses

	2022	2021
	RMB'000	*RMB'000*
Impairment loss on property, plant and equipment	**–**	31,349
Loss on disposal of property, plant and equipment	**10,929**	–
(Reversal of)/impairment of trade and bills receivables	**(212)**	1,165
Impairment of other receivables and prepayments	**22,745**	1,453
Write-down of inventories	**287,620**	52,674
Fair value changes of forward foreign exchange contracts	**–**	429
Fair value changes of other financial assets	**403**	–
Foreign exchange loss	**4,140**	–
Loss on sales of semi-product, raw materials and scrapped materials	**34,315**	–
Impairment loss on mining rights	**–**	98,774
Impairment of other current assets *(Note 26)*	**6,904**	21,065
Others	**6,386**	4,893
	373,230	211,802

(Expressed in RMB unless otherwise indicated)

7 PROFIT BEFORE TAXATION (CONTINUED)

(b) Other items

	Note	2022 RMB'000	2021 RMB'000
Director's emoluments	*10*	**17,452**	18,274
Other staff benefits	*a*	**1,063,014**	1,001,271
Total employee benefits expenses		**1,080,466**	1,019,545
Depreciation charge			
– owned property, plant and equipment		**196,502**	153,786
– right-of-use assets		**62,120**	56,851
Amortization of mining rights		**27,133**	34,024
Amortization of other long-term assets		**16,816**	13,136
Amortization of intangible assets		**2,779**	2,655
Provision for onerous contract	*32*	**–**	230,979
Auditors' remuneration		**3,750**	3,850
Expenses relating to short-term leases and leases of low value assets, which are not included in the measurement of lease liabilities		**14,207**	11,729

Note:

a Contributions to retirement benefit scheme included in other staff benefits for the year ended 31 December 2022 amounted to RMB82,247,000 (2021: RMB71,654,000).

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2022	2021
	RMB'000	*RMB'000*
Provision for the year	**(78,443)**	(51,540)
Under-provision in prior years	**–**	(1,974)
Deferred tax		
Origination and reversal of temporary differences	**16,666**	33,899
	(61,777)	(19,615)

(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 2022 is calculated at 16.5% (2021: 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 2022 is calculated at 12% of the estimated assessable profits for the year (2021:12%).

(v) The provision for Singapore Profits Tax for 2022 is calculated at 17% (2021: 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:

	2022 *RMB'000*	2021 *RMB'000*
Profit before taxation	**1,186,723**	900,122
Tax calculated at the applicable tax rate of 25%	**(296,681)**	(225,031)
Effect of different income tax rates	**45,435**	73,723
Tax effect of non-deductible expenses	**(4,045)**	(2,772)
Tax effect of non-taxable income	**897**	5,026
Tax effect of share of results of associates	**13,375**	3,289
Tax effect of share of results of joint ventures	**23,643**	46,115
Effect of prior year unrecognized tax losses and deductible temporary differences recognized during the year	**175,030**	98,837
Effect of tax losses and deductible temporary difference not recognized	**(19,431)**	(16,828)
Under-provision in prior years	**–**	(1,974)
Income tax expense for the year	**(61,777)**	(19,615)

9 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	2022			2021		
	Before-tax amount *RMB'000*	**Tax benefit** *RMB'000*	**Net-of-tax amount** *RMB'000*	Before-tax amount *RMB'000*	Tax expense *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)	**10,945**	**12,595**	**23,540**	122,037	(9,023)	113,014
Exchange differences on translation of financial statements of overseas subsidiaries	**(12,729)**	**–**	**(12,729)**	(45,591)	–	(45,591)
	(1,784)	**12,595**	**10,811**	76,446	(9,023)	67,423

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:

2022

	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)* (resigned on 6 January 2023)	–	–	–	–	–
Executive directors					
Mr. QIN Hengde (resigned on 6 January 2023)	–	3,626	5,062	39	8,727
Mr. FENG Mingwei (resigned on 6 January 2023)	–	1,908	2,071	46	4,025
Mr. Harry YANG (resigned on 20 March 2023)	–	1,199	1,086	53	2,338
Independent non-executive directors					
Mr. KO Ming Tung, Edward	462	–	–	–	462
Mr. LU Xin	462	–	–	–	462
Mr. TSE Hau Yin, Aloysius	544	–	–	–	544
	1,468	6,733	8,219	138	16,558
Rental expenses for directors					
Mr. QIN Hengde					420
Mr. Harry YANG					474
					17,452

10 DIRECTORS' EMOLUMENTS (CONTINUED)

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: (Continued)

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)

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: (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 directors of the Company, had waived his director's fee of HK$443,000 (equivalent to approximately RMB381,000) for the year ended 31 December 2022 (2021: HK$443,000, equivalent to approximately RMB368,000).

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 2022 and 2021.

11 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2021: three) were directors of the Company, whose emoluments are disclosed in note 10. The emoluments of the remaining two (2021: two) individuals were as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Salaries and other benefits	**2,829**	2,917
Performance related incentive payment *(Note)*	**3,109**	4,002
Retirement benefits scheme contribution	**79**	86
	6,017	7,005

Note: The performance related incentive payments paid/payable were determined with reference to the operating results of the Group, individual performance and relevant comparable market statistics. The amount disclosed represented the amount paid during the year 2022 and 2021.

11 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS (CONTINUED)

The emoluments were within the following bands:

	2022 ***Number of individuals***	2021 *Number of individuals*
HK$2,500,001 to HK$3,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**1**	2
	2	2

12 DIVIDENDS

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

	2022 ***RMB'000***	2021 *RMB'000*
Proposed final dividend of HK$0.0623, equivalent to approximately RMB0.0557 per share (2021: HK$0.0528, equivalent to approximately RMB0.0432 per share)	**390,929**	303,240

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	
	2022	2021
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.0528 per share (2021: HK$0.0327).	**317,186**	191,131

13 EARNINGS PER SHARE

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

	2022	2021
	RMB'000	*RMB'000*
Earnings attributable to owners of the Company		
Earnings for the purpose of basic/diluted earnings per share	**1,117,206**	866,612

	2022	2021
	'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 2022 and 2021. 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 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	(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
At 1 January 2022	**2,176,511**	**2,217,403**	**56,326**	**349,541**	**1,820,517**	**6,620,298**
Exchange realignment	**27**	**–**	**194**	**130**	**–**	**351**
Additions	**2,268**	**30,256**	**8,729**	**7,348**	**930,671**	**979,272**
Transfer from construction in progress	**849,985**	**830,829**	**–**	**9,632**	**(1,690,446)**	**–**
Disposals	**(1,838)**	**(29,736)**	**(3,236)**	**(3,298)**	**(47,614)**	**(85,722)**
Transfer to other current assets	**–**	**–**	**–**	**–**	**(194,317)**	**(194,317)**
At 31 December 2022	**3,026,953**	**3,048,752**	**62,013**	**363,353**	**818,811**	**7,319,882**
Accumulated depreciation and impairment						
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	(1,685)	(16,080)	–	–	(13,584)	(31,349)
Disposals	5,541	27,482	4,833	6,140	–	43,996
Disposal of a subsidiary	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)
At 1 January 2022	**(992,395)**	**(1,656,749)**	**(35,597)**	**(157,691)**	**(34,877)**	**(2,877,309)**
Exchange realignment	**(24)**	**–**	**(178)**	**(107)**	**–**	**(309)**
Charge for the year	**(73,151)**	**(90,678)**	**(4,795)**	**(27,878)**	**–**	**(196,502)**
Disposals	**379**	**15,339**	**2,350**	**2,061**	**–**	**20,129**
At 31 December 2022	**(1,065,191)**	**(1,732,088)**	**(38,220)**	**(183,615)**	**(34,877)**	**(3,053,991)**
Net book value						
At 31 December 2022	**1,961,762**	**1,316,664**	**23,793**	**179,738**	**783,934**	**4,265,891**
At 31 December 2021	1,184,116	560,654	20,729	191,850	1,785,640	3,742,989

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

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 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	–	(25,409)	(25,409)
At 31 December 2021 and 1 January 2022	**65,660**	**613,250**	**678,910**
Additions	**73,029**	**170,077**	**243,106**
Lease matured and disposals	**(4,559)**	**–**	**(4,559)**
At 31 December 2022	**134,130**	**783,327**	**917,457**
Accumulated depreciation			
At 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	–	6,437	6,437
At 31 December 2021 and 1 January 2022	**(21,640)**	**(187,666)**	**(209,306)**
Charge for the year	**(50,367)**	**(11,753)**	**(62,120)**
Lease matured and disposals	**2,818**	**–**	**2,818**
At 31 December 2022	**(69,189)**	**(199,419)**	**(268,608)**
Net book value			
At 31 December 2022	**64,941**	**583,908**	**648,849**
At 31 December 2021	44,020	425,584	469,604

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 20 to 48 years (31 December 2021: 21 to 48 years).

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

	2022	2021
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
– Properties leased for own use	**50,367**	45,816
– Land use rights	**11,753**	11,035
	62,120	56,851
Interest on lease liabilities *(Note 6)*	**2,726**	2,275
Expense relating to short-term leases, other leases with remaining lease term ending on or before 31 December and leases of low-value assets	**14,207**	11,729

During the year, additions to right-of-use assets were RMB243,106,000. This amount included the purchase of land use rights of RMB170,077,000, and the rest primarily related to the capitalized lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in note 29(c) and note 34, respectively.

16 MINING RIGHTS

	2022	2021
	RMB'000	*RMB'000*
Cost		
At 1 January and 31 December	**768,140**	768,140
Accumulated amortization and impairment		
At 1 January	**(421,393)**	(288,595)
Charge for the year	**(27,133)**	(34,024)
Impairment loss	**–**	(98,774)
At 31 December	**(448,526)**	(421,393)
Net book value		
At 31 December	**319,614**	346,747

17 INTANGIBLE ASSETS

	Software and others	
	2022	2021
	RMB'000	*RMB'000*
Cost		
At 1 January	**20,565**	20,177
Additions	**644**	388
At 31 December	**21,209**	20,565
Accumulated amortization and impairment		
At 1 January	**(5,603)**	(2,948)
Charge for the year	**(2,779)**	(2,655)
At 31 December	**(8,382)**	(5,603)
Net book value		
At 31 December	**12,827**	14,962

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

	2022 *RMB'000*	2021 *RMB'000*
Cost		
At 1 January	**822,551**	831,107
Exchange adjustments	**26,987**	(8,556)
Carrying amount		
At 31 December	**849,538**	822,551

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	
	2022 *RMB'000*	2021 *RMB'000*
Basic fertilizers	**192,734**	176,402
Distribution	**90,698**	83,012
Production		
– Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong")	**531,074**	531,074
– Others	**35,032**	32,063
	849,538	822,551

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 2023 approved by the directors of the Company. The growth rates for the first 3 years from 2023 are based on the relevant CGUs past performance and management's expectation for the market development and for the following years are based on steady growth rates.

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 2022	Production 2022
Pre-tax discount rate	**10.7%**	**12.7%**
Steady growth rate for the following years	**3.0%**	**3.0%**

	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%

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 2022.

19 INTERESTS IN ASSOCIATES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Unlisted shares, at cost	**548,965**	473,995
Share of profits, net of dividends	**197,348**	156,809
	746,313	630,804

(Expressed in RMB unless otherwise indicated)

19 INTERESTS IN ASSOCIATES (CONTINUED)

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

Name of entities	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
				2022	2021	
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
Yitong Digital Technology Co., Ltd 益通數科科技股份有限公司	Incorporated	The PRC	RMB166,600,000	**45%**	45%	Sales of fertilizers

19 INTERESTS IN ASSOCIATES (CONTINUED)

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

	2022	2021
	RMB'000	*RMB'000*
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**746,313**	630,804
Aggregate amounts of the Group's share of those associates'		
Profit from continuing operation	**53,499**	13,154
Total comprehensive income	**53,499**	13,154

20 INTERESTS IN JOINT VENTURES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Unlisted shares, at cost	**374,330**	449,300
Share of profits, net of dividends	**273,318**	204,747
	647,648	654,047

20 INTERESTS IN JOINT VENTURES (CONTINUED)

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

Name of entities	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
				2022	2021	
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

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:

	2022 *RMB'000*	2021 *RMB'000*
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**647,648**	654,047
Aggregate amounts of the Group's share of those joint ventures'		
Profit from continuing operation	**94,573**	184,459
Total comprehensive income	**94,573**	184,459

21 OTHER EQUITY SECURITIES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Equity securities designated at FVOCI (non-recycling)		
– Listed equity securities	**–**	71,355
– Unlisted equity securities	**189,004**	239,389
	189,004	310,744

22 OTHER LONG-TERM ASSETS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Activators	**37,954**	30,335

23 INVENTORIES

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Fertilizer merchandise and finished goods	**4,978,366**	4,368,810
Raw materials	**544,265**	339,780
Work in progress	**87,776**	49,261
Consumables	**62,429**	43,651
	5,672,836	4,801,502

23 INVENTORIES (CONTINUED)

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

	2022 *RMB'000*	2021 *RMB'000*
Carrying amount of inventories sold	**20,426,224**	20,450,415
Write-down of inventories	**287,620**	52,674
	20,713,844	20,503,089

24 TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2022 *RMB'000*	2021 *RMB'000*
Trade receivables	**438,613**	41,297
Less: loss allowance *(Note (b))*	**(3,170)**	(4,212)
	435,443	37,085
Bills receivable	**232,496**	700,468
Less: loss allowance *(Note (b))*	**(11,050)**	(11,050)
	221,446	689,418
Total trade and bills receivables, net of loss allowance	**656,889**	726,503

As at 31 December 2022, the bills receivable that the Group has endorsed or discounted and de-recognized but not yet matured amounted to RMB319,295,000 (2021: RMB345,869,000).

24 TRADE AND BILLS RECEIVABLES (CONTINUED)

(a) Aging analysis of trade and bills receivables

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**591,589**	269,859
More than 3 months but within 6 months	**47,758**	346,946
More than 6 months but within 12 months	**11,196**	103,804
Over 12 months	**6,346**	5,894
	656,889	726,503

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

(b) Loss allowance of trade and bills receivables

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

	2022	2021
	RMB'000	*RMB'000*
Balance at 1 January	**15,262**	14,097
(Reversal of)/impairment recognized	**(212)**	1,165
Write-off of uncollectible receivables	**(830)**	–
Balance at 31 December	**14,220**	15,262

25 OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Other receivables	**287,452**	258,912
Less: loss allowance *(Note)*	**(69,464)**	(46,719)
	217,988	212,193
Prepayments for inventories	**1,595,914**	1,378,509
Other prepayments	**26,209**	27,222
Deductible input VAT	**296,918**	324,766
Other receivables and prepayments	**2,137,029**	1,942,690

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

	2022	2021
	RMB'000	*RMB'000*
Balance at 1 January	**46,719**	66,201
Impairment recognized	**22,745**	1,453
Write-off of uncollectible receivables	**–**	(20,935)
Balance at 31 December	**69,464**	46,719

26 OTHER CURRENT ASSETS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Relocation of Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd. ("Sinochem Fuling")	**924,507**	796,082
Less: impairment loss	**(27,969)**	(21,065)
	896,538	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 Fuling, a subsidiary of the Group, will relocate its factories in Nananpu, demolish the buildings, restore the land and return it to the Government. In return, the Government will compensate the losses of Sinochem Fuling arising from the relocation, with a cap of RMB1 billion, after the land use right was transferred to the Government.

Sinochem Fuling started demolishing the factory in November 2019. Based on current estimation, the directors of the Company expect that the relocation will be completed by December 2023. The Group assessed the recoverable amount of the assets based on the compensation receivable and additional expenses to be incurred, an impairment loss of RMB6,904,000 was recognized during the year ended 31 December 2022 (2021: RMB21,065,000).

27 LOANS TO A RELATED PARTY

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Sinochem Agriculture Holdings Limited ("Sinochem Agriculture")	**–**	620,000

28 OTHER FINANCIAL ASSETS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Financial assets measured at FVPL		
– nitrogen fertilizer futures	**–**	2,737

29 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Cash at bank	**3,356,184**	1,313,892
Cash and cash equivalents in the consolidated statement of cash flows	**3,356,184**	1,313,892

(b) Reconciliation of liabilities arising from financing activities

	Bank loans	**Short-term commercial paper**	**Lease liabilities**	**Interest payable**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
	(Note 33)		***(Note 34)***		
At 1 January 2022	**1,041,215**	**–**	**52,526**	**1,220**	**1,094,961**
Changes from financing cash flows:					
Proceeds from bank and other loans	**2,297,217**	**–**	**–**	**–**	**2,297,217**
Repayment of bank and other loans	**(1,597,215)**	**–**	**–**	**–**	**(1,597,215)**
Proceeds from short-term commercial paper	**–**	**600,000**	**–**	**–**	**600,000**
Repayment of short-term commercial paper	**–**	**(600,000)**	**–**	**–**	**(600,000)**
Capital element of lease rentals paid	**–**	**–**	**(47,201)**	**–**	**(47,201)**
Interest element of lease rentals paid	**–**	**–**	**(2,726)**	**–**	**(2,726)**
Other Interest paid	**–**	**–**	**–**	**(77,148)**	**(77,148)**
Total changes from financing cash flows	**700,002**	**–**	**(49,927)**	**(77,148)**	**572,927**
Other changes:					
Increase in lease liabilities from entering into new leases during the year	**–**	**–**	**71,288**	**–**	**71,288**
Interest expenses *(Note 6)*	**–**	**–**	**2,726**	**77,736**	**80,462**
At 31 December 2022	**1,741,217**	**–**	**76,613**	**1,808**	**1,819,638**

29 CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (continued)

	Bank loans *RMB'000* *(Note 33)*	Short-term commercial paper *RMB'000*	Lease liabilities *RMB'000* *(Note 34)*	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

29 CASH AND CASH EQUIVALENTS (CONTINUED)

(c) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2022 ***RMB'000***	2021 *RMB'000*
Within operating cash flows	**14,207**	11,729
Within investing cash flows	**–**	8,484
Within financing cash flows	**49,927**	36,981
	64,134	57,194

These amounts relate to the following:

	2022 ***RMB'000***	2021 *RMB'000*
Lease rentals paid	**64,134**	48,710
Purchase of land use rights	**–**	8,484
	64,134	57,194

30 TRADE AND BILLS PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade payables	**1,411,139**	1,437,274
Bills payable	**1,088,013**	975,223
Trade and bills payables	**2,499,152**	2,412,497

As at 31 December 2022, the aging analysis of trade and bills payables presented based on the invoice date is as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**1,848,826**	1,785,099
More than 3 months but within 6 months	**493,729**	482,616
More than 6 months but within 12 months	**117,020**	115,935
Over 12 months	**39,577**	28,847
	2,499,152	2,412,497

31 CONTRACT LIABILITIES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Contract liabilities		
Sales of goods		
– Amounts due to customer for advance received	**5,063,762**	3,319,138

Movements in contract liabilities:

	2022	2021
	RMB'000	*RMB'000*
Balance at 1 January	**3,319,138**	3,680,473
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	**(3,283,644)**	(3,648,562)
Increase in contract liabilities as a result of receiving sales deposits during the year	**5,028,268**	3,287,227
Balance at 31 December	**5,063,762**	3,319,138

32 OTHER PAYABLES AND PROVISION

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Payroll payables	**202,117**	162,768
Interest payable	**1,808**	1,220
Dividends payable	**25,741**	24,064
Payables for purchase of property, plant and equipment and land use rights	**66,957**	80,781
Other taxes payables *(Note(i))*	**591,477**	511,376
Others	**498,206**	296,026
Financial liabilities measured at amortized cost	**1,386,306**	1,076,235
Fair value of forward foreign exchange contracts *(Note 39(e))*	**–**	429
Provision for onerous contract *(Note(ii))*	**68,911**	230,979
	1,455,217	1,307,643

Notes:

(i) Other taxes payables mainly include the output VAT collected from customers to be paid upon the completion of sales transactions.

(ii) As at 31 December 2022 and 2021, the provision for onerous contract is related 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	
	2022	2021
	RMB'000	*RMB'000*
Bank loans, unsecured	**134,287**	52,215
Bank loan, secured *(Note)*	**1,606,930**	989,000
	1,741,217	1,041,215

Note:

As at 31 December 2022, bank loans of RMB1,606,930,000 are secured by the Group's right-of-use assets of RMB184,114,000 and property, plant and equipment of RMB16,274,000.

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**421,217**	52,215
After 1 year but within 2 years	**150,000**	89,000
After 2 years but within 5 years	**900,000**	700,000
After 5 years	**270,000**	200,000
	1,320,000	989,000
	1,741,217	1,041,215
Less: amounts due within 1 year shown under current liabilities	**(421,217)**	(52,215)
Amount shown under non-current liabilities	**1,320,000**	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:

	Effective annual interest rate	**At 31 December 2022 RMB'000**	Effective annual interest rate	At 31 December 2021 RMB'000
Variable-rate borrowings	**4.25%**	**1,409,000**	3.20%-4.65%	1,041,215
Fixed-rate borrowing	**2.00%-3.70%**	**332,217**	–	–
		1,741,217		1,041,215

(b) Unutilized banking facilities

As at the end of the reporting period, the Group has the following unutilized banking facilities:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Expiring within 1 year	**14,508,728**	15,621,791
Expiring beyond 1 year	**11,115,515**	6,583,365
	25,624,243	22,205,156

34 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**48,310**	33,005
After 1 year but within 2 years	**28,017**	11,332
After 2 years but within 5 years	**286**	8,189
	28,303	19,521
	76,613	52,526

35 DEFERRED TAX ASSETS/LIABILITIES

The following is the analysis of the deferred tax balances for financial reporting purpose:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Deferred tax assets	**100,534**	80,656
Deferred tax liabilities	**(128,690)**	(138,073)
	(28,156)	(57,417)

35 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 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 and 1 January 2022	**(138,073)**	**15,699**	**449**	**11,107**	**49,223**	**4,178**	**(57,417)**
Credited to profit or loss for the year	**9,383**	**–**	**1,723**	**1,830**	**2,819**	**911**	**16,666**
Credited to reserves for the year	**–**	**12,595**	**–**	**–**	**–**	**–**	**12,595**
At 31 December 2022	**(128,690)**	**28,294**	**2,172**	**12,937**	**52,042**	**5,089**	**(28,156)**

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.

35 DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

(b) Deferred tax assets not recognized

No deferred tax assets were recognized on the tax losses of approximately RMB736,548,000 as of 31 December 2022 (2021: RMB3,013,371,000) 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	
	2022	2021
	RMB'000	*RMB'000*
2022	**–**	2,291,112
2023	**37,837**	37,837
2025	**6,250**	6,250
2026	**22,896**	22,896
No expiry	**669,565**	655,276
	736,548	3,013,371

(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 RMB956,750,000 at 31 December 2022 (2021: RMB695,450,000).

36 ISSUED EQUITY

(a) The issued equity of the Group:

	2022 RMB'000	2021 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 2022 and 2021 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:

	2022			2021		
	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 2022 and 2021.

37 ACQUISITION OF NON-CONTROLLING INTERESTS AND DISPOSAL OF A SUBSIDIARY

(a) Acquisition of non-controlling interests

In March 2022, a subsidiary of the Group, Sinochem Fertilizer Co., Ltd., ("Sinochem Fertilizer") acquired 40% interests in Sinochem Shandong Fertilizer Co., Ltd. ("Shandong Fertilizer") from non-controlling shareholders. The differences between the carrying amounts of non-controlling interests acquired and the fair value of consideration paid were recorded in capital reserve.

	RMB'000
Carrying amount of non-controlling interests acquired	15,495
Consideration paid to non-controlling interests	65,952
A decrease in equity attributable to owners of the Company	(50,457)

(b) Deregistration of a subsidiary

In November 2022, the Company de-registered a subsidiary, Big Day Limited, and its cumulative exchange reserve of RMB8,021,000 has been reclassified to profit or loss.

38 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from previous years.

The Group monitors its capital structure on the basis of debt-to-equity ratio, which is calculated based on interest-bearing debt divided by total equity. The debt-to-equity ratio of the Group as at 31 December 2022 was 18.69% (2021: 12.17%).

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.

39 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivable is limited because the counterparties are mainly banks and financial institutions for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in note 43, 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 43.

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.

39 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 2022		
	Expected loss rate *%*	**Gross carrying amount** *RMB'000*	**Loss allowance** *RMB'000*
within 1 year	**0.11%**	**435,318**	**(471)**
more than 1 year but within 2 years	**18.70%**	**722**	**(135)**
more than 2 years but within 3 years	**68.97%**	**29**	**(20)**
more than 3 years	**100.00%**	**2,544**	**(2,544)**
		438,613	**(3,170)**

	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)

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.

39 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 2022, the Group has available unutilized bank loan facilities of approximately RMB25,624,243,000 (2021: approximately RMB22,205,156,000). 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.

	2022					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	2,499,152	–	–	–	2,499,152	2,499,152
Other payables	1,386,306	–	–	–	1,386,306	1,386,306
Bank loans	485,603	204,310	1,004,465	277,400	1,971,778	1,741,217
Lease liabilities	50,204	28,435	290	–	78,929	76,613
	4,421,265	232,745	1,004,755	277,400	5,936,165	5,703,288

39 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

	2021					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount 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

(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 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 2022, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained earnings by approximately RMB7,045,000 (2021: RMB5,206,000). Other components of consolidated equity would have increased/decreased by nil (2021: nil) in response to the general increase/decrease in interest rates.

39 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 2021, 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**	
	2022	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
US$	**103,423**	150,885	**279,660**	207,575

39 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.

	2022 Increase/ (decrease) in foreign exchange rates	2022 Effect on results of the year and retained profits RMB'000	2022 Effect on other components of equity RMB'000	2021 Increase/ (decrease) in foreign exchange rates	2021 Effect on results of the year and retained profits RMB'000	2021 Effect on other components of equity RMB'000
US$	10%	(17,624)	–	10%	(5,669)	–
	(10%)	17,624	–	(10%)	5,669	–

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 2021.

39 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value

(i) Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

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

39 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value (continued)

(i) Financial assets and liabilities measured at fair value (continued)

	Fair value at 31 December 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

During the years ended 31 December 2022 and 2021, 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.

39 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value (continued)

(i) Financial assets and liabilities measured at fair value (continued)

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

	2022 ***RMB'000***	2021 *RMB'000*
Unlisted equity securities:		
At 1 January	**239,389**	207,296
Changes in fair value during the year	**(50,385)**	32,093
At 31 December	**189,004**	239,389

	2022 ***RMB'000***	2021 *RMB'000*
Bills receivable		
At 1 January	**90,355**	30,233
Net (decrease)/increase	**(28,045)**	60,122
At 31 December	**62,310**	90,355

(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.

40 CONTINGENT LIABILITIES

Save as the guarantee disclosed in note 43, the Group has no material contingent liabilities at 31 December 2022 and 2021.

41 COMMITMENTS

Capital commitment

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Contracted but not provided for		
– Property, plant and equipment	**648,197**	1,092,504
Authorized but not contracted for		
– Property, plant and equipment	**402,364**	896,365
	1,050,561	1,988,869

42 RELATED PARTY TRANSACTIONS

The major related parties that had transactions with the Group during the year ended 31 December 2022 and 2021 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)

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)

42 RELATED PARTY TRANSACTIONS (CONTINUED)

The major related parties that had transactions with the Group during the year ended 31 December 2022 and 2021 were as follows: (Continued)

Fellow subsidiaries (continued)

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)

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)

42 RELATED PARTY TRANSACTIONS (CONTINUED)

The major related parties that had transactions with the Group during the year ended 31 December 2022 and 2021 were as follows: (Continued)

Fellow subsidiaries (continued)

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

Bluestar Adisseo Nanjing Co., Ltd.
(藍星安迪蘇南京有限公司)

Sinochem Group 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)

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)

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

Joint ventures

Three Circles-Sinochem
(雲南三環中化化肥有限公司)

Gansu Wengfu
(甘肅甕福化工有限責任公司)

42 RELATED PARTY TRANSACTIONS (CONTINUED)

The major related parties that had transactions with the Group during the year ended 31 December 2022 and 2021 were as follows: (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

Heilongjiang Beidahuang Agrochemical Technology Co., Ltd.
(黑龍江北大荒農化科技有限公司)

Henan Junhua Development Co., Ltd.
(河南駿化發展股份有限公司)

A subsidiary of a shareholder with significant influence over the Company

Canpotex International Pte. Limited

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.

42 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 related parties during the year:

	2022 *RMB'000*	2021 *RMB'000*
Sales of fertilizers to		
Joint ventures	164,463	128,591
Associates of indirect holding companies	133,981	42,826
Fellow subsidiaries	1,414,825	734,429
	1,713,269	905,846
Purchases of fertilizers from		
Joint ventures	2,174,600	1,489,280
Associates	13,619	2,809
A subsidiary of a shareholder with significant influence over the company	1,653,103	–
Fellow subsidiaries	462,188	381,107
Associates of indirect holding companies	48,928	73,247
An associate of a fellow subsidiary	1,346,225	189,526
	5,698,663	2,135,969
Commission received from a fellow subsidiary	6,924	–
Import service fee payable to a fellow subsidiary	12,788	12,260

42 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 related parties during the year: (continued)

	2022 *RMB'000*	2021 *RMB'000*
Rental and management fee payable to		
Fellow subsidiaries	**21,187**	3,520
Repayments of loans to		
An associate	**–**	670,000
A fellow subsidiary	**620,000**	330,000
	620,000	1,000,000
Interest income from related parties		
An associate	**–**	10,134
A fellow subsidiary	**14,186**	21,946
	14,186	32,080
Guarantee charges from an associate	**6,700**	6,700
Service fee to a fellow subsidiary	**168**	626
Interests income of financial assets and deposits from a fellow subsidiary	**8,661**	1,861

42 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) As at the end of the reporting period, the Group has the following material balances with its related parties:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**2,709**	2,182
Other receivables and prepayments	**501,561**	412,468
Trade and bills payables	**813,470**	654,597
Other payables	**2,310**	671
Contract liabilities	**157,625**	180,881
Loans to a related party	**–**	620,000
Cash and cash equivalents	**1,942,996**	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:

	2022	2021
	RMB'000	*RMB'000*
Salaries and other benefits	**4,970**	6,036
Performance related incentive payment	**6,880**	7,669
Retirement benefits scheme contribution	**160**	225
	12,010	13,930

(Expressed in RMB unless otherwise indicated)

42 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel: (continued)

The emoluments of senior executives were within the following bands:

	2022 *Number of individuals*	2021 *Number of individuals*
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**2**	1
HK$3,000,001 to HK$3,500,000	**–**	1
HK$4,000,001 to HK$4,500,000	**1**	2
	5	5

(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.

42 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	
	2022	2021
	RMB'000	*RMB'000*
Trade and bills receivables	**5,337**	–
Other receivables and prepayments	**216,576**	251,738
Trade and bills payables	**37,120**	19,367
Other payables	**364**	305
Contract liabilities	**292,726**	170,811

During the year, the Group had the following significant transactions with other government-related entities as follows:

	2022	2021
	RMB'000	*RMB'000*
Sales of fertilizers	**837,815**	1,135,269
Purchases of fertilizers	**2,078,533**	2,628,404

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)

43 GUARANTEE

On 9 December 2022, Sinochem Fertilizer and Sinochem Finance entered into a guarantee agreement, pursuant to which, Sinochem Fertilizer will provide a guarantee of no more than RMB670 million for the outstanding loans provided by Sinochem Finance to Yangmei Pingyuan (an associate of Sinochem Fertilizer).

44 PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at 31 December 2022 and 2021:

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
				2022	2021	
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%**	74.56%	Sales and manufacturing of fertilizers
Sinochem Yunlong *(Note c)* (中化雲龍有限公司)	The PRC	The PRC	RMB500,000,000	**100%**	100%	Sales and manufacturing of feeds stuff
Sinochem Yantai Crop Nutrition Co., Ltd. *(Note b)* (中化(煙台)作物營養有限公司)	The PRC	The PRC	US$1,493,000	**100%**	100%	Sales and manufacturing of fertilizers

(Expressed in RMB unless otherwise indicated)

44 PRINCIPAL SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Group as at 31 December 2022 and 2021: (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		Principal activities
				2022	2021	
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
Shandong Fertilizer *(Note c)* (中化山東肥業有限公司)	The PRC	The PRC	RMB100,000,000	**91%**	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

44 PRINCIPAL SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Group as at 31 December 2022 and 2021: (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.

45 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.

46 INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Non-current assets		
Investments in subsidiaries	**4,559,432**	4,173,057
Amounts due from subsidiaries	**1,656,025**	1,550,293
Right-of-use assets	**199**	621
Other non-current assets	**650,109**	618,219
	6,865,765	6,342,190
Current assets		
Cash and cash equivalents	**1,044**	3,196
Current liabilities	**140,641**	15,018
Net current liabilities	**(139,597)**	(11,822)
Total assets less current liabilities	**6,726,168**	6,330,368
Non-current liabilities	**–**	193
NET ASSETS	**6,726,168**	6,330,175
CAPITAL AND RESERVE		
Issued equity	**5,887,384**	5,887,384
Contributed surplus	**1,073,872**	1,391,058
Exchange reserve	**(376,474)**	(953,785)
Retained earnings	**141,386**	5,518
TOTAL EQUITY *(Note)*	**6,726,168**	6,330,175

46 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 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 and 1 January 2022	5,887,384	1,391,058	(953,785)	5,518	6,330,175
Changes in equity for 2022:					
Profit for the year	**–**	**–**	**–**	**135,868**	**135,868**
Other comprehensive income for the year	**–**	**–**	**577,311**	**–**	**577,311**
Dividends approved in respect of the previous year *(note 12)*	**–**	**(317,186)**	**–**	**–**	**(317,186)**
Balance at 31 December 2022	**5,887,384**	**1,073,872**	**(376,474)**	**141,386**	**6,726,168**

(Expressed in RMB unless otherwise indicated)

47 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standard, which are not yet effective for the year ended 31 December 2022 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
HKFRS 17, *Insurance contracts*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2024
Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Income taxes*: 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				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**23,002,701**	22,641,396	21,380,740	22,950,942	22,996,328
Profit before tax	**1,186,723**	900,122	671,742	650,325	451,132
Income tax	**(61,777)**	(19,615)	(18,317)	(5,993)	37,833
Profit for the year	**1,124,946**	880,507	653,425	644,332	488,965
Profit attributable to					
– Owners of the Company	**1,117,206**	866,612	644,074	615,767	460,486
– Non-controlling interests	**7,740**	13,895	9,351	28,565	28,479
	1,124,946	880,507	653,425	644,332	488,965

	At 31 December				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**20,821,811**	17,494,493	17,109,032	16,873,775	17,607,429
Total liabilities	**(11,090,165)**	(8,510,769)	(8,942,481)	(9,172,375)	(10,366,450)
Net assets	**9,731,646**	8,983,724	8,166,551	7,701,400	7,240,979

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