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SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

- The Group's sales volume was 7.15 million tons for the current period, increased by 2.44% year on year
- The Group's revenue was RMB12,549 million for the current period, decreased by 11.37% year on year
- Profit attributable to owners of the Company for the current period was RMB448 million, remaining steady year on year
- Basic earnings per share for the current period was RMB0.0638, remaining steady year on year
- The Board did not recommend the declaration of interim dividend for the six months ended 30 June 2020

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I hereby report the interim results of Sinofert Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2020 to all shareholders.

In the first half of 2020, the external business environment was complex, unstable and extremely severe due to the worldwide outbreak of the COVID-19 Pandemic, drastic fluctuations in the international financial markets, continuous heavy rainstorms in some southern provinces of China as well as the significant decline in the price of fertilizers. The Group was steadfast in carrying out its strategies set forth at the beginning of the year by actively adopting effective measures, striving to overcome difficulties and grasping market opportunities, and achieved stable results. The Group gave full play to the responsibility as a central state-owned enterprise and considered the safety and health of its employees as the most important while combating the COVID-19 Pandemic, realizing "zero infection" for all staff. Through early planning and deployment, the Group continued to renovate its business model to ensure great support for the spring cultivation. Apart from the Hubei region that was severely affected by the COVID-19 Pandemic, the subsidiary factories in the other regions operated stably and their work resumption rate was higher than the average level of the industry.

In the first half of 2020, the Group achieved a total sales volume of 7.15 million tons, up by 2.44% year on year. Profit attributable to owners of the Company was RMB448 million, which was relatively steady compared with the corresponding period in 2019. The period expenses were lowered by 18.49% year on year, reflecting an obvious effectiveness of cost saving due to the institutional restructuring. All performance indicators of the Group were in good condition, with a sound asset-liability structure, strong solvency and a year-on-year growth in working capital turnover. Meanwhile, the Group made constant breakthroughs in strategic cooperation with suppliers at home and abroad, and continued to consolidate and improve its operating capabilities.

The Basic Fertilizers Division strengthened scientific research and judgment of the market, realized the integration of procurement and sales, and enhanced the synergy of upstream and downstream businesses. These led to steady growth in proportion of strategic procurement, continuous optimization of the inventory structure, enhanced cooperation with key customers and continuous upgrading of business transformation. In the first half of 2020, sales volume of the Basic Fertilizers Division was 5.55 million tons, up by 3.93% year on year. The Distribution Division continued to make all efforts, centering on planting structure and customers' demand, to strengthen the professional team building for DTS channel service, and focused on developing high-margin differentiated products such as compound fertilizers and specialty fertilizers, resulting in a steady increase in both sales volume and profit. In the first half of 2020, sales volume of the Distribution Division was 1.54 million tons, up by 11.59% year on year. Sales volume of differentiated compound fertilizers was 428,200 tons, up by 22.69% year on year. The production subsidiaries continued to take safe and stable production as its core, constantly optimized its production processes, quickly and flexibly adjusted its product structure and pricing strategies, and with the concerted efforts of procurement, production and marketing, overfulfilled the budget for the reporting period. The R&D team steadily expanded, and technology reserves continued to be strengthened while the R&D investment steadily increased. As a result, the capability of commercialization of research results was significantly improved. In the first half of 2020, the sales volume under commercialization of technological achievements reached 469,600 tons, up by 32.28% year on year.

In the second half of 2020, the Chinese agricultural sector will face enormous challenges due to the continuous impact of the COVID-19 Pandemic on the economy as well as the increasing uncertainties in economic development brought by the escalation of China-US frictions, and the fertilizer industry will continue to be under severe pressure. However, the government will actively promote the implementation of the Rural Revitalization Strategy and propel the transformation of agriculture to be green and sustainable. The clear requirement for green development allows more room for development of new fertilizers that can reduce application, improve efficiency and be environmentally friendly. With the development of digitalization and the popularization of smartphones, the application of information technology will become an important driving factor for future agricultural development. The Group will continue to renovate its business model and deepen its business transformation by grasping these new opportunities. On 17 June 2020, the controlling shareholder of the Company was changed to CNAC (HK) Holdings Company Limited, a subsidiary of Syngenta Group Co., Ltd.. In the future, relying on the new development platform, the Group will implement the value of "In Science We Trust", advocate sustainable agricultural development, lead technological progress in the industry with technological innovation as the core, empower new operating entities with comprehensive solutions to improve quality and efficiency, create value for customers and shareholders, and contribute to the Chinese agricultural sector. In the second half of 2020, the Group will also continue to strengthen its HSE management and carry out containment of the pandemic, so as to ensure the smooth and orderly progress of production and operation.

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

Yang Lin
Non-executive Director

Hong Kong, 20 August 2020

MANAGEMENT REVIEW AND PROSPECT

Business Environment

In the first half of 2020, affected by the spread of the COVID-19 Pandemic, the global economy declined significantly year on year, intersected by economic and trade frictions between major economies. In this context, the Chinese government actively implemented the policy of "stability on the six fronts" and stayed true to the bottom line of "security in the six areas", and coordinated the promotion of the prevention and control of the epidemic and the economic and social development. The government maintained security for the sake of stability, pursued progress based on stability, and turned challenges into opportunities, due to which the economy steadily recovered. It was pointed out at the Central Economic Work Conference that production and supply of agricultural products should be secured and the supply-side structural reform in agriculture should be speeded up in 2020, in order to increase the income of farmers and realize rural revitalization.

The outbreak of the COVID-19 Pandemic resulted in a shortage of logistics capacity in many regions, leading to sluggish upstream industrial chain of the fertilizer industry, a significant decline in the price of fertilizers and unavailability of offline marketing and services, which posed great challenges to the operation of the fertilizer industry. The Chinese government vigorously promoted supply-side structural reforms as well as fertilizer application reduction and efficiency improvement. The program of zero-growth in consumption of fertilizers and pesticides was implemented in many regions, which became an important part of green development. As the idea of scientific use of fertilizers and pesticides was increasingly recognized, fertilizer-saving and pesticide-saving technologies were widely promoted and the application of green and efficient products was accelerated. As a result, the promotion area of new fertilizers, such as slow-release fertilizers and water-soluble fertilizers, and the application area of organic fertilizers continued to increase. Under the guidance of the new development concept, domestic supervision on safety and environmental protection continued to be strengthened, and industry integration progressed steadily. The elimination of companies with backward production capacity was accelerated, which helped solve problems such as excess capacity, disorderly market competition and environmental pollution. Faced with both opportunities and challenges, domestic enterprises were accelerating transformation and upgrading, actively reducing quantity and enhancing quality, expanding their presence in upstream and downstream industrial chains, and providing farmers with new comprehensive agricultural services to achieve sustainable agricultural development and green development of the fertilizer industry.

Facing severe market situation, the Group, under the leadership of the Board of Directors, seized the opportunity of the agricultural supply-side structural reform and the fast-changing trend of agricultural structure by centering on the Rural Revitalization Strategy, continued to deepen strategic transformation and organizational reform, and by securing the spring cultivation while combating the COVID-19 Pandemic, made great contribution on meeting the requirements of the spring cultivation with zero infection of staff members. Meanwhile, seizing the opportunity of joining Syngenta Group, the Group further consolidated its leading advantage in domestic sales scale, strengthened its position in the supply chain, promoted the strategy of differentiated products centering on crops, improved its profitability, and explored the model transformation from marketing to platform service supplier based on the Fertex platform for industrial chain service ("Fertex").

Financial Highlights

For the six months ended 30 June 2020, affected by the decline in the price of major products, the Group's revenue was RMB12,549 million, down by 11.37% over the corresponding period in 2019. Profit attributable to owners of the Company amounted to RMB448 million, which was relatively steady compared with the corresponding period in 2019.

Research and Development

In the first half of 2020, the Group made more efforts in research and development in areas such as quality and output improvement, fertilizer application reduction and efficiency enhancement as well as soil improvement. New technologies of crop nutrition gave birth to sales volume of 469,600 tons of new products, increased by 32.28% compared with the same period in 2019, which represented a significant improvement. The market share of products dedicated to deep side fertilization for rice that had the effect of fertilizer application reduction and efficiency improvement, designed and developed independently by the Group, further increased. The core masterbatch products for corn and rice with efficiency enhancement and micronutrients were used for field trials and demonstrations in the northeast, northwest and northern China regions, and the effect of quality improvement and output increase was obvious. Meanwhile, through self-research and external cooperation, the Group developed seven sets of compound microbial functional bacteria agents, and the development of bio-fertilizer products resulted in a rapid growth in the scale of production and sales. The second-generation product of phosphate fertilizers, Meilinmei, jointly developed by the Group and the Chinese Academy of Agricultural Sciences, further promoted fertilizer application reduction and efficiency improvement.

Manufacturing

In the first half of 2020, facing the outbreak of the COVID-19 Pandemic and the overall economic downturn, subsidiaries of the Group focused on the prevention and control of the COVID-19 Pandemic on the one hand, while preparing for resumption of work and production on the other hand. Apart from the Hubei region which was severely affected by the COVID-19 Pandemic, work resumption rate of each factory increased year on year, creating the highest shipment record in history to ensure the supply of goods for the spring cultivation with every endeavor. By synergy among regions, cost control and quality improvement, the Group achieved cost reduction and efficiency improvement. In addition, subsidiaries of the Group implemented product upgrading and technological advancement to enhance the product competitiveness as well as efficiency of production and operation, which further propelled sustainable development of the Group.

Sinochem Chongqing Fuling Chemicals Co., Ltd. ("Sinochem Fuling"), a subsidiary of the Group, made progress in relocation for the sake of environmental protection. The old factory was undergoing steady and orderly dismantlement. The Group closed the ardealite slag plant and finished soil covering and re-greening with high quality. The leachate treatment station was operating smoothly and the environmental protection standards were met. The first tranche of capital injection and shareholding increase of RMB650 million was in place, resulting in a significant improvement in the debt-to-asset ratio. Through benchmarking, Sinochem Fuling carried out high-start design and high-standard management for its new projects, made sufficient technological reserves and conducted repeated testing and experiments. Among them, the preliminary design of the comprehensive utilization of synthetic ammonia, sulfuric acid and ardealite as well as temporary storage yard projects was determined, and tender invitation and submission was conducted simultaneously.

Driven by the concept of sustainable development, Sinochem Jilin Changshan Chemical Co., Ltd. ("Sinochem Changshan"), a subsidiary of the Group, focused on establishing a corporate economic growth model and cultivating its core competitiveness. In the first half of 2020, faced with continuous decline in the market price of major products and intense competition, Sinochem Changshan focused on safety and stable production as its core, and achieved stable and high output with continuous improvement in technology and consumption indicators. As a result, 104,000 tons of synthetic ammonia and 49,400 tons of urea were produced. Sinochem Changshan constantly adjusted its product structure through conducting research on market demand, which helped achieve prosperity in production and marketing, and maintained efficient operation.

Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong"), a subsidiary of the Group, overcame the adverse impact on the market brought by the COVID-19 Pandemic at home and abroad. Adhering to the principle of "boosting production, reducing costs, promoting sales and improving efficiency", Sinochem Yunlong placed production and operation as priority. Smooth and efficient operation of equipment was achieved through measures such as optimization of raw material procurement, improvement in equipment and facilities as well as advancement of technological transformation. Sinochem Yunlong actively expanded the domestic and overseas markets, flexibly adjusted its product structure and made more efforts in increasing sales. In the first half of 2020, the output and sales volume of monocalcium/dicalcium phosphate (MCP/DCP) amounted to 181,900 tons and 173,600 tons respectively, which increased by 6.56% and remained relatively steady respectively over the corresponding period in 2019, and the profitability was steadily improved. In respect of mine construction, the capacity continuing project of 600,000 tons per annum in Mozushao kept good momentum after it was put into operation. With the stable operation of the six systems for safety and danger evasion as well as continuous improvement in mechanization and automation level, 368,000 tons of phosphate rock were mined in the first half of 2020. Sinochem Yunlong constructed a green phosphorus mine through implementation of ecological environmental protection and restoration, which ensured the sustainable use of resources, continuously expanded the advantages in phosphate resources and supported the sustainable development of the Group's phosphorus chemical business.

Basic Fertilizers Operations

Under the dual challenges brought by the outbreak of the COVID-19 Pandemic and the continuous decline in market prices, the Basic Fertilizers Division fully utilized its advantages of strategic procurement to expand the supply of it products, carried out logistics optimization and adjusted its logistics model in accordance with local conditions, and actively opened up transportation channels for agricultural inputs to meet the farmers' needs for the spring cultivation. In accordance with changes in market supply and demand, the Basic Fertilizers Division performed well in price management, made more efforts in marketing of package products, and pursued growth in agricultural channels. During the market downturn, measures such as storing inventories close to the customers, accelerating inventory turnover and making use of digital marketing were taken to reduce the negative impact of market fluctuations on its operating performance. In the context of upgrading the agricultural input channels, the Group actively developed Fertex and utilized its advantages of the online platform during the outbreak of the pandemic to enhance the efficiency of transportation vehicles, reduce transportation costs, and steadily promote the upgrading and release of new features of modules in respects of information, transaction and logistics.

Potash Operations: In the first half of 2020, sales volume of potash fertilizers was 1.13 million tons, down by 3% over the corresponding period in 2019. The Group strengthened long-term strategic cooperation with international suppliers to ensure stable access to overseas high-quality products, which helped maintain relatively low price of potash fertilizers around the world. The Group maintained close strategic cooperation with Qinghai Salt Lake Industry Co., Ltd. ("Qinghai Salt Lake"), enhancing its market position and influence based on cooperation of regional exclusive agency. Moreover, the Group and Qinghai Salt Lake explored innovative cooperation mode, reinforced information exchange and other aspects of synergy, and achieved mutual benefit and win-win results. Besides, the Group improved its core customer system for industrial potash to further enhance customer stickiness for in-depth cooperation. The Group continued to build its proprietary brands of potash for agriculture, enriched the varieties of potash for agriculture, improved its marketing channels and strengthened demand development and technical services to achieve a stable growth in the sales volume of potash for agriculture. The Group and Mosaic Agricultural Inputs (Beijing) Co., Ltd. entered into a strategic cooperation agreement, pursuant to which the two parties further strengthened their cooperation on ensuring the supply of domestic crop nutrition products, promoting balanced fertilization, and the distribution of high-end functional fertilizers, in order to jointly promote agricultural development in China.

Nitrogen Operations: In the first half of 2020, despite the adverse impact of the COVID-19 Pandemic, the Group developed agricultural channels with great efforts, due to which sales volume of nitrogen fertilizers achieved 2.29 million tons, up by 2% over the corresponding period in 2019. The construction of the strategic supplier system was gradually improved, forming a mutually beneficial win-win mechanism, which enhanced the ability to ensure supply security in the peak season and to control risks in the off-season. By taking advantage of centralized procurement, the purchase costs were reduced and the procurement scale was expanded. The proportion of strategic procurement increased by 6% over the corresponding period in 2019. In the selling process, the Group continued to increase the proportion of direct sales to industrial customers, and achieved profitability in bulk quantity by strictly controlling the inventory scale and the turnover rate. Facing the challenge brought by the significant decline in market prices, the Group implemented key measures to prevent market risks and achieved remarkable results. Meanwhile, in response to industry development and changes in market demand, the Group continuously launched new products and formed a product portfolio with three series, multiple specifications and high growth. The Group also continuously expanded the business scale of differentiated nitrogen fertilizers to improve the quality and output of crops while enhancing its industry influence.

Phosphate Operations: In the first half of 2020, sales volume of phosphate fertilizers was 1.29 million tons, down by 9% over the corresponding period in 2019. This was mainly due to the loss of supply upon the production suspension of Sinochem Fuling. Excluding the decrease in sales volume of 270,000 tons caused by production suspension of Sinochem Fuling, sales volume of phosphate fertilizers would have increased by 12% over the corresponding period in 2019. Through scale operation, the Group continued to strengthen its advantages in strategic centralized procurement of phosphate fertilizers. When the plants in Hubei, the main production region of phosphate fertilizers, were severely affected by the COVID-19 Pandemic, the Group urgently allocated its global resources and imported high-quality Moroccan diammonium to ensure a stable supply of high-quality phosphate fertilizers in spring. The Group consolidated its customer base and continuously provided services to its customers through activities such as online marketing and charity aid to farmers, which enhanced its reputation among customers. The Group carried out value scheduling in phosphate fertilizer operations, provided comprehensive solutions centering on the demand of upstream and downstream customers, achieved stable profit and customer value enhancement, and further consolidated its position as a leading domestic distributor of phosphate fertilizers. The Group also made more efforts in promoting new technology-based products. Sales volume of Meilinmei, a new product that met the national requirements for "fertilizer application reduction and efficiency improvement", increased steadily. Another new product for efficiency improvement, Linbao, was also launched to foster a healthy development of phosphate fertilizers for efficiency improvement in China.

Fertex Operations: Fertex, an industrial chain service platform invested and built by the Group, provided consumers and enterprises in the industry with the most authoritative fertilizer market information and updated price index. Fertex also integrated offline logistics resources to provide convenient and efficient online transaction services as well as financial services for relevant supply chains to empower the traditional business of agricultural inputs. At present, Fertex, with more than 150,000 professional users, has provided online transportation for 336,000 tons of goods, with a transaction amount of RMB83 million.

Distribution Operations

The Group firmly implemented the DTS in-depth channel building strategy and built diversified channel barriers for its distribution operations. In terms of distribution channel, the Group intensified the layout of terminal outlets by means such as package products and digital marketing, developed the markets where its presence was weak or even blank, and promoted the upgrading plan of strategic stores in order to increase its channel coverage. In terms of technology-based marketing channel, the Group focused on core crops and differentiated products to break through the market barrier, and increased the sales of product packages for crops by providing planting technical solutions. In terms of straight service channel, the Group focused on large-scale growers, integrated industrial chain resources to provide tailored services, reduced levels of sales channels to trade directly with large-scale growers and commercial planting companies, explored ways of building a comprehensive service platform and expanded the business and service model.

Compound Fertilizer Operations: In the first half of 2020, sales volume of compound fertilizers was 1.37 million tons, relatively steady compared with the corresponding period in 2019. The Group accelerated the channel layout in villages and towns, propelled its channels down closer to customers, enhanced the cooperation stickiness of large-scale growers, and expanded cooperation with large-scale enterprises both within the industry and across industries. As the organization and implementation of traditional marketing activities were seriously affected by the COVID-19 Pandemic, the Group quickly planned for online marketing and increased promotion efforts on differentiated products. The Group increased its R&D investment in bio-technological applications, and further increased sales volume of crop-oriented differentiated products. To accelerate the construction of production capacity layout, the first phase of the new fertilizer project with an annual production capacity of 500,000 tons of Sinochem Agricultural Ecological Technology (Hubei) Co., Ltd. was completed and put into operation, which provided sources of high-tech ecological fertilizers for the central and southern China regions. With the synergy mechanism of production and marketing operating more efficiently, the utilization rate of production capacity maintained at a relatively high level in the industry. Product cost management and quality control were better than expected, which effectively ensured the rapid and high-quality development of compound fertilizer business.

New Fertilizer Operations: In the first half of 2020, sales volume of new fertilizers was 0.06 million tons, up by 200% over the corresponding period in 2019. The operating scale of environmentally-friendly water-soluble fertilizers with high efficiency, liquid fertilizers and foliar fertilizers increased rapidly, and became a new source of profit growth for the Group. In order to adapt to changes in the domestic planting structure and improve the ability to serve modern agricultural entities, the Group continued to increase investment in the production and R&D of new fertilizers, which helped farmers with fertilizer application reduction and efficiency improvement at the input end as well as costs reduction and income increase at the planting end. The Group continued to invest in the technology integration of fertigation, and increased the technology promotion in scientific soil testing and formula-based fertilization. In the first half of 2020, two new specialty fertilizer plants of Sinochem Agriculture (Xinjiang) Biotech Co., Ltd. located in Manas and Kashgar were successfully put into operation, providing strong support in terms of products and technologies for water-saving agriculture and cotton production in Xinjiang.

With deepened operational reform, the Group established an efficient supply line through comprehensive business synergy and mutual empowerment. Through the collaboration among the Basic Fertilizers Division, the Distribution Division and the Manufacturing Division, the Group ensured the supply of high-quality products to the channels and subsidiary factories, and improved the efficiency of precise connection among procurement, production and marketing. With the optimization and upgrading of the production capacity structure, the supply ability of its own production capacity was greatly improved. Major production subsidiaries took measures such as energy consumption reduction to achieve cost reduction and efficiency improvement as well as good synergy with marketing. Meanwhile, relying on Syngenta Group, the Group developed customized product portfolios, cultivated individual products with a large scale, focused on key crops, and established a crop protection product system. In the first half of 2020, sales revenue of crop protection products increased rapidly.

The Group deeply understood the significance of the transformation and development of China's agricultural modernization, vigorously carried out research in green agricultural planting techniques, and actively promoted technological achievements such as deep side fertilization, fertigation and soil improvement. More than 400 technical service personnel worked on the field all year round and conducted activities such as technical training, soil testing and formula-based fertilization as well as field guidance to help farmers grow good products and sell at good prices, so as to implement the original aspiration and mission of the Rural Revitalization Strategy.

Internal Control and Management

The Group's internal control and risk management system was built according to the "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (hereinafter referred to as "COSO") in the United States and the "Internal Control and Risk Management – A Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants, and was in reference to the "Basic Rules of Corporate Internal Control" and its referencing guidelines issued by five ministries and commissions of China's central government. Under the principle of "high priority, daily monitoring and mainly diverting", the Group paid attention to improving risk and internal control management mechanism in line with the strategic development, conducted risk identification, assessment and response, and implemented a whole-process risk alert management and corresponding measures on material risks.

In the first half of 2020, in the context of increasing downward pressure on the domestic economy, the China-US trade friction, geopolitical tensions and spread of the COVID-19 Pandemic around the world, the Group optimized its organizational structure, promoted business innovation in an orderly manner, and made full use of emerging initiatives such as the Internet and video so as to continue to strengthen internal control and management. The Headquarter continued to consolidate the main responsibilities of the business units, streamlined and evaluated the positions and responsibilities of internal control and comprehensive risk management of the business units, strengthened risk internal control training and publicity work, enhanced the Headquarter's supervision and evaluation, monitored major risks quarterly and tracked business risk incidents monthly, highlighted the systematicness of internal control, strengthened hierarchical audits, inspections, follow-up actions and rectification work, and strictly controlled major risks such as credit risk, inventory and market risks.

Internal control and management work provided reasonable guarantees for the smooth development of the special action of "combating the pandemic and securing the spring cultivation", supporting the strategic transformation of the Group, protecting shareholders' interests and asset safety, improving business quality and promoting strategic advancement, and met the compliance requirements of domestic and foreign regulatory agencies.

Corporate Social Responsibility

The Group served the Chinese farmers wholeheartedly, and actively brought into play its influence and leading status in the industry. While developing its channels down closer to customers, the Group directly provided agricultural inputs to the grass-root level and ensured steady supply of products through its comprehensive agricultural inputs distribution and service network covering more than 95% of China's arable land during the key period of spring cultivation and summer sowing season. Meanwhile, the Group provided comprehensive and differentiated tailored services for large-scale growers and new planting entities to guide farmers to scientific fertilization. The Group integrated high-quality resources and cooperated with international advanced enterprises of agricultural inputs to complement each other, provided farmers with comprehensive training service such as crop nutrition, crop protection and planting techniques, and gradually formed comprehensive crop planting solutions in different regions of the country, so as to help farmers reduce planting cost, improve yield quality and increase income.

In the first half of 2020, the Group focused on the promotion of free soil testing service, field guidance, online and offline seminars as well as anti-counterfeiting activities, and together with the National Agricultural Technology Extension and Service Center, built pilot demonstration fields and launched training programs for new professional farmers. By 30 June 2020, more than 40,000 comprehensive technical service activities had been carried out, including over 20,000 field guidance as well as soil testing and formula-based fertilization activities, over 4,200 anti-counterfeiting activities, over 5,000 online and offline training programs for farmers, over 2,500 online and offline demonstration seminars, more than 2,000 pilot demonstration fields and more than 40,000 copies of promotional materials distributed online and offline, which benefited more than 1,000 villages and towns and over 4 million farmers.

The internationally advanced state-of-the-art Linyi R&D Center of the Group was completed and put into operation. With the goal of fertilizer application reduction and efficiency improvement as well as green and sustainable development, the Group cooperated with scientific research units such as the Chinese Academy of Agricultural Sciences to develop new products of crop nutrition and explore new scientific fertilization methods. Meanwhile, the Group cooperated with the Department of Crop Production, Ministry of Agriculture and the National Agricultural Technology Extension and Service Center, focusing on the joint demonstration and promotion of green high-efficiency product packages consisting of fertilizers and pesticides. Centering on the projects such as fertilizer application reduction and efficiency improvement, the use of bio-organic fertilizers in the production of fruits, vegetables and tea instead of chemical fertilizers as well as green production with high quality and efficiency and technology integration, the Group explored new mode of scientific fertilization through combining soil improvement with fertilizer application, and properly improved soil environment. By spraying a mixture of specialty fertilizers and pesticides with drone operation, the Group reduced the overall application of fertilizers and pesticides while saving the labor costs and increasing farmers' income, and actively fulfilled its social responsibilities. The Group focused on the projects such as combination of agricultural techniques and agricultural machinery, promotion of deep side fertilization for rice as well as fertigation, organized new business entities to jointly launch large-scale demonstration field tours in various regions, deepened the supply-side structural reform in agriculture, vigorously promoted agricultural mechanized production, improved the utilization efficiency of fertilizer and water, and reduced pollution to agricultural environment. In addition, the Group worked with agricultural scientific research institutions to improve and upgrade existing planting techniques, focused on rice-crayfish culture and use of bio-organic fertilizers instead of chemical fertilizers, coordinated with local agricultural technology extension centers to promote advanced fertilization technology and production model, and led farmers to new products and new techniques. During the spring cultivation period, the online and offline linkages of all business departments of the Group ensured the supply of agricultural inputs for the spring cultivation in spite of the pandemic, and contributed to stable production of agricultural products.

In the first half of 2020, the Group gave full play to its corporate social responsibility in the fight against the COVID-19 Pandemic. The Group put the safety and health of its employees in the first place, and as at the date of this report, there was no employee diagnosed or suspected of being infected. The Group delivered anti-epidemic supplies such as disinfectants to the Hubei region, and carried out charity activities to prevent the pandemic together with rural counties. The Group's nitrogen, phosphate, potash, basic compound fertilizers and functional compound fertilizers all over the country were put on the market to satisfy the spring cultivation demand from farmers. The Party organizations at all levels and the employees responded actively and donated to regions severely affected by the epidemic in Hubei so that the local government departments could fund the local pandemic prevention and control.

In the future, the Group will continue to focus on the requirement of modern agricultural development, actively implement the supply-side structural reform in agriculture, strive to serve farmers, promote high-quality agricultural development, help to guarantee agricultural production and supply as well as increase farmers' income. Centering on the goal of fertilizer and pesticide application reduction, the Group will deepen the cooperation with the Chinese government, research institutes and universities. In addition, the Group will put emphasis on key projects such as scientific fertilization, agricultural mechanized production, synergy of seeds, fertilizers and pesticides, fertigation, training on new type of farmers, drone operation service and social comprehensive agricultural services, integrate the internal and external resources, constantly make innovations in terms of service measures, and continue to provide high-quality, professional and high-efficiency comprehensive services for farmers in China.

The Group adhered to the basic national policy of protecting the environment and actively implemented clean production, upholding the basic principle of "people-oriented, prioritized environmental protection, prevention first, integrated governance". While preventing new sources of pollution, the Group constantly reduced the emission of pollutants through adopting advanced processes, technologies and equipment to establish an effective and persistent mechanism on environmental protection, actively responding to national policies. Sinochem Fuling actively promoted relocation for the sake of environmental protection, so as to create harmony between energy and the environment. In the first half of 2020, the Group fully achieved its energy-saving and emission reduction goals.

Outlook

In the second half of 2020, the Chinese agricultural sector will face enormous challenges due to the continuous impact of the COVID-19 Pandemic on the economy and the increasing uncertainties in economic development brought by the escalation of China-US frictions. The fertilizer industry still faces the situation of excess capacity. Supervision on safety and environmental protection will be continuously strengthened for a long time. The consumption of general products and low-tech products is gradually decreasing. Business operating costs continue to increase. Meanwhile, the implementation of the Rural Revitalization Strategy promotes the transformation of agriculture to be green and sustainable. The clear requirement for green development allows more room for development of new fertilizers that can reduce application, improve efficiency and be environmentally friendly. Agricultural mechanization continues to develop, and the number of farmers' professional cooperatives and family farms is increasing year by year, resulting in the increasing demand for the combination of agricultural inputs and services. With the development of digitalization and the popularization of smartphones, the application of information technology will become an important driving factor for future agricultural development.

As China's leading technology-based marketing and service provider of crop nutrition, the Group will actively shoulder the task of promoting the agricultural modernization and the sound development of the fertilizer industry in China, continue to consolidate its leading advantage in domestic sales scale, and strengthen its position in the supply chain. The Group and the other members of Syngenta Group will work closely and give play to their respective advantages to expand their market influence. Meanwhile, the Group will take technological innovation as its core competitiveness, improve fertilizer utilization efficiency, and ensure the safety of arable land. Moreover, the Group will build its core competitiveness in improving the industry efficiency and crop efficiency, create value for customers, and support the rapid development of the fertilizer industry and China's agricultural sector.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2020, sales volume of the Group was 7.15 million tons, up by 2.44% over the corresponding period in 2019. Revenue was RMB12,549 million, down by 11.37% over the corresponding period in 2019.

For the six months ended 30 June 2020, gross profit of the Group was RMB1,048 million, down by 6.34% over the corresponding period in 2019. Profit attributable to owners of the Company was RMB448 million, which was relatively steady compared with the corresponding period in 2019.

I. OPERATION SCALE

1. Sales volume

For the six months ended 30 June 2020, sales volume of the Group was 7.15 million tons, up by 2.44% over the corresponding period in 2019. In the first half of 2020, the outbreak of the COVID-19 Pandemic had an overall impact on agricultural production and demand. Affected by recession of the economy and the industrial chain, the price of fertilizers declined significantly. The Group adhered to its strategic development direction, and focused its efforts on current operation to ensure great support for the spring cultivation through early planning and deployment, timely adjustment of business strategies, modification of logistics models in accordance with local conditions, adoption of innovative operational modes as well as continuous innovation of the "online marketing and offline service" model.

With the continuous adjustment of crop planting structure, the market demand for fertilizers had changed profoundly. Under the guidance of the concept of "In Science We Trust", the Group implemented the call for "fertilizer application reduction and efficiency improvement" through innovation. The Group concentrated on building a crop-oriented product system, with the product structure transformed to environmentally-friendly and high-efficiency fertilizers, and formed an echelon of differentiated products which continuously enhanced the product competitiveness. For the six months ended 30 June 2020, sales volume of differentiated products was 617,000 tons, up by 25.71% over the corresponding period in 2019. Among them, sales volume of differentiated compound fertilizers was 428,200 tons, up by 22.69% over the corresponding period in 2019; sales volume of differentiated nitrogen fertilizers was 146,300 tons, up by 40.54% over the corresponding period in 2019; sales volume of new phosphate fertilizers was 42,500 tons, up by 12.73% over the corresponding period in 2019.

2. Revenue

For the six months ended 30 June 2020, revenue of the Group was RMB12,549 million, decreased by RMB1,610 million or 11.37% over the corresponding period in 2019, mainly due to that market prices declined significantly in the first half of 2020, and the price of some products fell to the lowest level in recent years.

Table 1:

	For the six months ended 30 June			
	2020		2019	
	Revenue *RMB'000*	**As percentage of total revenue**	Revenue *RMB'000*	As percentage of total revenue
Potash fertilizer	**2,149,792**	**17.13%**	2,470,198	17.45%
Nitrogen fertilizer	**3,171,814**	**25.28%**	3,693,040	26.08%
Compound fertilizer	**3,166,446**	**25.23%**	3,431,463	24.24%
Phosphate fertilizer	**2,529,694**	**20.16%**	3,225,556	22.78%
Monocalcium/dicalcium phosphate ("MCP/DCP")	**443,409**	**3.53%**	462,518	3.27%
Others	**1,087,887**	**8.67%**	875,847	6.18%
Total	**12,549,042**	**100.00%**	14,158,622	100.00%

3. Revenue and results by segment

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

The following is an analysis of the Group's revenue and results by operating segment for the six months ended 30 June 2020 and the corresponding period in 2019.

Table 2:

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

	For the six months ended 30 June 2019				
	Basic Fertilizers *RMB'000*	Distribution *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue					
External revenue	9,685,020	3,343,978	1,129,624	–	14,158,622
Internal revenue	190,661	5,029	964,635	(1,160,325)	–
Reportable segment revenue	9,875,681	3,349,007	2,094,259	(1,160,325)	14,158,622
Segment profit	344,995	104,606	132,866	–	582,467

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

For the six months ended 30 June 2020, the external revenue decreased by RMB1,610 million over the corresponding period in 2019, which was mainly attributable to the significant decline in the price of fertilizer products.

The Basic Fertilizers Segment continued to strengthen its capability of logistics support, deepened the strategic procurement model, cooperated with suppliers to cut short the logistics procedures, and continuously increased the promotion of technology-based products. In the first half of 2020, the Basic Fertilizers Segment made a profit of RMB319 million, down by 7.54% over the corresponding period in 2019, mainly due to the lower gross profit margin brought by a significant decline in the market price. The Distribution Segment extended its coverage in the core markets, relied on diversified channels to develop the markets where its presence was weak, focused on differentiated products, prioritized the deployment of production resources, and continued to improve profitability. In the first half of 2020, the Distribution Segment made a profit of RMB143 million, up by 36.19% over the corresponding period in 2019. Its sales revenue of differentiated products was RMB927 million, up by 17.94% over the corresponding period in 2019. With safety and stable production as the core, production subsidiaries of the Group actively explored the market, flexibly adjusted the production and sales structure, and implemented cost reduction and efficiency enhancement. In the first half of 2020, the Production Segment made a profit of RMB109 million, down by RMB24 million over the corresponding period in 2019, mainly attributable to the production suspension of Sinochem Chongqing Fuling Chemicals Co., Ltd. ("Sinochem Fuling").

II. PROFIT

1. Share of results of joint ventures and associates

Share of results of joint ventures: For the six months ended 30 June 2020, the Group's share of results of joint ventures was a loss of RMB6 million, down by RMB23 million compared with a profit of RMB17 million for the corresponding period in 2019. In the first half of 2020, the results of joint ventures declined significantly due to the difficulties in production resumption of manufacturing enterprises and a significant decrease in market demand brought by the COVID-19 Pandemic. The Group's share of results of Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. ("Three Circles-Sinochem") was a loss of RMB9 million, significantly decreased by RMB20 million over the corresponding period in 2019. The Group's share of results of Gansu Wengfu Chemical Co., Ltd. ("Gansu Wengfu") was a profit of RMB3 million, down by 50% over the corresponding period in 2019.

Share of results of associates: For the six months ended 30 June 2020, the Group's share of results of associates was a loss of RMB9 million, down by RMB24 million compared with a profit of RMB15 million for the corresponding period in 2019, which was mainly attributable to the significant decline in market demand and price. For the six months ended 30 June 2020, the Group's share of results of Yangmei Pingyuan Chemical Co., Ltd. ("Yangmei Pingyuan") was a profit of RMB5 million, down by RMB7 million over the corresponding period in 2019; the Group's share of results of Guizhou Xinxin Industrial Group Holdings Limited and Guizhou Xinxin Coal Chemical Co., Ltd. was a loss of RMB15 million, down by RMB18 million compared with a profit of RMB3 million for the corresponding period in 2019.

2. Income tax

For the six months ended 30 June 2020, income tax expense of the Group was RMB12 million, of which current income tax expense was RMB17 million and deferred income tax expense was RMB-5 million. In the first half of 2020, the taxable profit of subsidiaries of the Group increased year on year due to the improvement of business performance. Meanwhile, the deferred income tax liabilities derived from appreciation of property assessment continued to be amortized, resulting in a negative deferred income tax expense.

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%, the Group's profit derived from Macao is exempted from income tax, while the income tax rate of Hong Kong and Singapore is 16.5% and 17%, respectively. The Group strictly complies with the taxation laws of the respective jurisdictions and pays taxes accordingly.

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

For the six months ended 30 June 2020, profit attributable to owners of the Company was RMB448 million, which was relatively steady compared with the corresponding period in 2019, maintaining a good operation quality in the severe market condition. Faced with tough market competition and great transformation pressure, the Group adhered to the direction of strategic development, took various operational measures, kept on promoting the guideline of cost reduction and efficiency improvement, carried out a series of technical reform as well as scientific and technological innovation, and constantly deepened its business transformation.

For the six months ended 30 June 2020, the net profit margin of the Group, calculated by dividing profit attributable to owners of the Company by revenue, was 3.57%.

III. EXPENSES

For the six months ended 30 June 2020, the three categories of expenses amounted to RMB670 million, down by RMB152 million or 18.49% compared with RMB822 million for the corresponding period in 2019.

Selling and distribution expenses: For the six months ended 30 June 2020, selling and distribution expenses amounted to RMB386 million, down by RMB43 million or 10.02% compared with RMB429 million for the corresponding period in 2019. This was mainly attributable to the fact that the Group conducted the second institutional reform to improve labor efficiency and thus reduced the labor costs by RMB23 million. Through precise coordination between procurement and marketing as well as storing inventories close to the customers, the Group reduced its logistics costs by use of the online platform. Meanwhile, expenditures on on-site marketing activities and travel expenses decreased significantly under the impact of the COVID-19 Pandemic.

Administrative expenses: For the six months ended 30 June 2020, administrative expenses amounted to RMB269 million, down by RMB28 million or 9.43% compared with RMB297 million for the corresponding period in 2019. This was mainly attributable to the fact that the Group optimized its management structure to achieve streamlining and high efficiency. Meanwhile, the Group actively strived for preferential policies introduced for the COVID-19 Pandemic to save its expenditures on social insurance.

Finance costs: For the six months ended 30 June 2020, finance costs amounted to RMB15 million, down by RMB81 million or 84.38% compared with RMB96 million for the corresponding period in 2019. This was mainly attributable to the decrease in the average financing scale and interest rate of the Group as well as the capitalization of interest of borrowings incurred in Sinochem Fuling's relocation project.

IV. OTHER INCOME AND GAINS

This mainly consisted of interest income, sales of semi-product, raw materials and scrapped materials. For the six months ended 30 June 2020, the Group's other income and gains amounted to RMB110 million, down by RMB39 million or 26.17% compared with RMB149 million for the corresponding period in 2019, mainly due to the decrease in interest income.

V. OTHER EXPENSES AND LOSSES

Other expenses and losses mainly consisted of asset impairment loss as well as losses incurred in disposal of fixed assets, raw materials and scrapped materials. For the six months ended 30 June 2020, the Group's other expenses and losses amounted to RMB8 million, down by RMB3 million or 27.27% compared with RMB11 million for the corresponding period in 2019.

VI. INVENTORIES

As at 30 June 2020, the inventories balance of the Group amounted to RMB4,196 million, down by RMB1,179 million or 21.93% compared with RMB5,375 million as at 31 December 2019. The Group continued to strengthen the coordination between procurement and marketing to prevent market risk, and controlled the pace of business to lower the inventory scale and accelerate the inventory turnover. The inventory turnover days in the first half of 2020 was 75 days*(Note)*, the same as that in the corresponding period of last year.

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

VII. TRADE AND BILLS RECEIVABLES

As at 30 June 2020, the balance of the Group's trade and bills receivables amounted to RMB614 million, increased by RMB208 million or 51.23% compared with RMB406 million as at 31 December 2019, which was mainly due to that the Group increased credit scales for customers with better credibility in order to promote sales, resulting in an increase of RMB196 million in the balance of trade receivables as at 30 June 2020 compared with that as at 31 December 2019. The Group actively prevented credit risk, and the turnover days of the Group's trade and bills receivables in the first half of 2020 was 7 days*(Note)*, faster than the 8 days*(Note)* in the corresponding period of 2019.

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

VIII. LOANS TO RELATED PARTIES

The Group's balance of loans to related parties was RMB920 million as at 30 June 2020. Sinochem Fertilizer Co., Ltd. ("Sinochem Fertilizer"), a subsidiary of the Group, provided an entrusted loan of RMB670 million to Yangmei Pingyuan through Sinochem Finance Co., Ltd. for daily working capital, and a fund of RMB250 million to Sinochem Agriculture Holdings Limited for daily working capital and purchase of fixed assets.

IX. INTERESTS IN JOINT VENTURES

As at 30 June 2020, the balance of the Group's interests in joint ventures amounted to RMB349 million, down by RMB6 million or 1.69% compared with RMB355 million as at 31 December 2019, mainly due to the decrease in the profit of joint ventures. In the first half of 2020, accounted under the equity method, the Group's share of results of Three Circles-Sinochem was a loss of RMB9 million, and the Group's share of results of Gansu Wengfu was a profit of RMB3 million.

X. INTERESTS IN ASSOCIATES

As at 30 June 2020, the balance of the Group's interests in associates amounted to RMB566 million, increased by RMB33 million or 6.19% compared with RMB533 million as at 31 December 2019. In March 2020, the Group acquired 10% equity interest in Beijing Aerospace Hengfeng Technology Corp., Ltd. ("Aerospace Hengfeng") for RMB45 million to strengthen its cooperation with Aerospace Hengfeng in microbial fertilizers.

XI. OTHER EQUITY SECURITIES

As at 30 June 2020, the balance of the Group's other equity securities amounted to RMB290 million, down by RMB101 million or 25.83% compared with RMB391 million as at 31 December 2019, including a reduction of RMB74 million in fair value of the equity interest in Guizhou Kailin (Group) Co., Ltd. held by the Group and a decrease of RMB27 million in other equity securities brought by a fall in the stock price of China XLX Fertilizer Limited held by the Group.

XII. INTEREST-BEARING LIABILITIES

As at 30 June 2020, the Group's interest-bearing liabilities amounted to RMB2,667 million, increased by RMB243 million or 10.02% compared with RMB2,424 million as at 31 December 2019, which was mainly due to that Sinochem Fertilizer, a subsidiary of the Group, issued additional super & short-term commercial paper with an amount of RMB200 million, and Sinochem Agriculture (Xinjiang) Biotech Co., Ltd., a subsidiary of the Group, received a bank loan with an amount of RMB60 million.

XIII. TRADE AND BILLS PAYABLES

As at 30 June 2020, the balance of the Group's trade and bills payables amounted to RMB3,953 million, increased by RMB567 million or16.75% compared with RMB3,386 million as at 31 December 2019, which was mainly due to the significant increase in trade payables brought by the Group's procurement of a large amount of imported goods within a short period after the signing of the large import contracts, striving for bonded customs clearance.

XIV. OTHER FINANCIAL INDICATORS

Basic earnings per share for the six months ended 30 June 2020 was RMB0.0638, which was relatively steady compared with the corresponding period in 2019. Return on equity (ROE) for the six months ended 30 June 2020 was 5.66%, down by 0.21% compared with 5.87% for the corresponding period in 2019.

Table 3:

	For the six months ended 30 June	
	2020	2019
Profitability		
Earnings per share (RMB) *(Note 1)*	**0.0638**	0.0637
ROE *(Note 2)*	**5.66%**	5.87%

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

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

As at 30 June 2020, the Group's current ratio was 1.25, and the debt-to-equity ratio was 33.05%. The Group enjoyed relatively high banking facilities, and its domestic credit rating was AAA. In addition, the Group had smooth financing channels and diversified fund-raising methods, and maintained a stable financial structure through actively taking various operating measures.

Table 4:

	As at 30 June 2020	As at 31 December 2019
Solvency		
Current ratio *(Note 1)*	**1.25**	1.21
Debt-to-Equity ratio *(Note 2)*	**33.05%**	31.48%

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

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

XV. LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2020, cash and cash equivalents of the Group amounted to RMB1,304 million, which was mainly denominated in RMB and US dollar.

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

Table 5:

	As at 30 June 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
Super & short-term commercial paper	**2,600,000**	2,400,000
Other borrowings	**60,000**	–
Lease liabilities	**7,362**	24,351
Total	**2,667,362**	2,424,351

Table 6:

	As at 30 June 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
Carrying amount of interest-bearing liabilities		
Within one year	**2,666,992**	2,423,308
Over one year	**370**	1,043
Total	**2,667,362**	2,424,351

Table 7:

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Fixed-rate interest-bearing liabilities	**2,667,362**	2,424,351
Variable-rate interest-bearing liabilities	**–**	–
Total	**2,667,362**	2,424,351

As at 30 June 2020, the Group had banking facilities equivalent to RMB28,235 million, including US$1,087 million and RMB20,626 million, respectively. The unutilized banking facilities amounted to RMB23,318 million, including US$954 million and RMB16,640 million, respectively.

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

XVI. OPERATION AND FINANCIAL RISKS

The Group's major operation risks include the followings: internationally, slowdown in global economic growth, tightened external environment, economic and trade frictions on after another, increasing uncertainties that affect the international trade environment; domestically, severe challenges brought by the COVID-19 Pandemic, a year-on-year decrease in GDP in the first half of this year. Market competition in the fertilizer industry has been intensified under the background of fertilizer application reduction and efficiency improvement, energy conservation and environmental protection as well as acceleration of industry integration. The Group actively took measures to cope with great changes in the domestic and international environment. On the one hand, the Group promoted prevention and control of the pandemic as well as resumption of work and production at the same time, made more efforts in online marketing to enhance its customer service capabilities, and adjusted its logistics models in accordance with local conditions to ensure logistics capacity. On the other hand, the Group continued to promote strategic transformation and resource integration, adjusted and optimized the production capacity structure, promoted and enhanced the role of technical services as a driving force for innovation, improved operation efficiency, and enhanced the potential for business growth, which would reduce the negative impact of operation risks on the financial performance of the Group.

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

Environmental and social risks

With the increasingly stricter requirements on environmental protection management from the government, enterprises were required to attach great importance to ecological civilization and environmental protection, fully perform the main responsibility of ecological environment protection, enhance awareness of environmental protection, and improve the level of environmental production management. The subsidiaries of the Group which were engaged in resource development and fertilizer production strictly complied with laws and regulations such as the Environmental Protection Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China as well as the Water Pollution Prevention and Control Law of the People's Republic of China. By adequate investigation and management on environmental risk sources, they implemented measures to prevent and control pollution of air, water and soil, so as to prevent environmental pollution risks. In addition, they formulated emergency plans for sudden environmental pollution incidents, equipped themselves with necessary emergency disposal materials, prepared emergency drills, and timely launched emergency plans to limit production for heavy pollution weather. No environmental pollution incident occurred throughout the first half of 2020.

Cyber risk and security

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

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

Risks associated with data fraud or theft

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

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

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

Market risk

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

Majority of the Group's assets, liabilities and transactions are denominated in RMB, US dollar and HK dollar. Due to the presence of a certain scale of import and export business of the Group, the exchange rate fluctuations will have an impact on the cost of import and export prices. The management of the Group adopted prudent hedging measures all the time and continued to monitor and control the above risks so as to mitigate the potential unfavorable impact on the Group's financial performance.

Credit risk

The biggest credit risk of the Group was subject to that the counterparties might fail to carry out their obligations with regard to the book value of all types of financial assets recognized and recorded in the consolidated statement of financial position on 30 June 2020. If there was a lack of credit risk management, bad debt losses, as a result of uncollectible accounts and unavailable inventory after advance payment, might influence normal operations of the Group.

The Group had adequate management procedures, response mechanisms and supervision measures in respect of granting credit line and credit period, collection of overdue accounts and other related aspects. Under the severe external environment this year, in order to prevent the transmission of external risks, through credit evaluation, transaction management, process monitoring and disposal of overdue accounts for credit customers, the Group further tightened its policies on credit grants and transaction conditions, conducted full-scale inspection on its existing credit customers, developed risk management strategies and measures to strictly prevent and control the risk, allocated more credit resources to strategic and high-quality core suppliers and customers, and transferred bad debt risks by proper utilization of credit insurance, so as to ensure the that the credit business that occurred was fully guaranteed. Meanwhile, the Group examined the recovery of its major trade receivables on the settlement date every month to ensure sufficient bad debt provision for unrecoverable accounts, and therefore, credit risk incidents rarely occurred.

Liquidity risk

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

Regarding the management of liquidity risk, the management strengthened position management of ready cash, forecasted and strictly executed the fund plan to monitor and keep enough cash and cash equivalents, increased the scale of advance received in sales season to maintain adequate operating cash flow. The management reasonably allocated short and long-term fund demands, and optimized capital structure to meet the demand of working capital and repayment of liabilities at maturity.

XVII. CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no contingent liabilities.

XVIII. CAPITAL COMMITMENTS

Table 8:

	As at 30 June 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
Contracted but not provided for		
– Property, plant and equipment	**222,801**	278,169
Authorized but not contracted for		
– Property, plant and equipment	**1,376,120**	1,425,975
Total	**1,598,921**	1,704,144

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

XIX. MATERIAL INVESTMENTS

By 30 June 2020, total expenditures of Sinochem Fuling on the project with an annual production capacity of 200,000 tons of fine phosphate and supporting new-type special fertilizers, located in Baitao Industrial Park of Fuling, Chongqing, had accumulated to RMB114 million. In the second half of 2020, Sinochem Fuling will continue to promote the project construction in accordance with the relocation plan.

XX. REMUNERATION POLICY

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

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

The Group reviews its remuneration policy annually and, if necessary, engages professional consultants, to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 30 June 2020, the Group had about 4,682 full-time employees (including those employed by the Group's subsidiaries), and their remuneration is determined with reference to market rates. No individual employee shall have the right to determine his/her own remuneration.

In addition to the basic remuneration, the Group also values the importance of training and career development of employees. In the first half of 2020, the Group provided around 1,800 person-times or around 7,000 hours of training (any training organized by the subsidiaries has not been included in these numbers). The training courses covered areas such as industrial development, strategy implementation, leadership enhancement, marketing management, operation and management, laws and regulations, finance, human resource management, safe production and general working skills. These trainings will further improve the management skills and professional standards of the management of the Group and enhance the overall quality of the employees to cater to the Group's rapid developments, and improve the competitiveness of the Group.

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

The board of directors (the "Board") of Sinofert Holdings Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020 – unaudited

		Six months ended 30 June	
	Note	**2020**	2019
		RMB'000	*RMB'000*
Revenue	*3*	**12,549,042**	14,158,622
Cost of sales		**(11,501,495)**	(13,039,513)
Gross profit		**1,047,547**	1,119,109
Other income and gains		**110,097**	149,469
Selling and distribution expenses		**(385,981)**	(429,202)
Administrative expenses		**(268,572)**	(296,761)
Other expenses and losses		**(8,136)**	(10,752)
Profit from operations		**494,955**	531,863
Share of results of associates		**(8,541)**	15,115
Share of results of joint ventures		**(6,235)**	16,974
Profit on disposal of a joint venture		**–**	2,094
Finance costs	*4(a)*	**(15,293)**	(96,396)
Profit before taxation	*4*	**464,886**	469,650
Income tax	*5*	**(12,073)**	(7,436)
Profit for the period		**452,813**	462,214
Profit for the period attributable to:			
– Owners of the Company		**447,845**	447,704
– Non-controlling interests		**4,968**	14,510
		452,813	462,214
Profit for the period		**452,813**	462,214

	Note	Six months ended 30 June 2020 RMB'000	2019 RMB'000
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)		**(78,800)**	(10,527)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**32,270**	8,289
Other comprehensive income for the period		**(46,530)**	(2,238)
Total comprehensive income for the period		**406,283**	459,976
Total comprehensive income attributable to:			
– Owners of the Company		**401,315**	445,466
– Non-controlling interests		**4,968**	14,510
		406,283	459,976
Earnings per share			
Basic and diluted (RMB)	*6*	**0.0638**	0.0637

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020 – unaudited

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Non-current assets			
Property, plant and equipment		**2,484,539**	2,394,497
Right-of-use assets		**453,664**	455,754
Mining rights		**496,301**	513,113
Goodwill		**856,703**	850,429
Interests in associates		**566,098**	532,880
Interests in joint ventures		**348,593**	354,828
Other equity securities		**289,793**	390,570
Prepayments for acquisition of property, plant and equipment		**21,563**	59,664
Deferred tax assets		**86,255**	68,914
Other long-term assets		**686,561**	614,767
		6,290,070	6,235,416
Current assets			
Inventories		**4,196,221**	5,375,220
Trade and bills receivables	*8*	**614,150**	405,681
Other receivables and prepayments		**1,574,354**	1,900,960
Loans to related parties		**920,000**	920,000
Other financial assets		**1,950,000**	400,000
Time deposits		**250,260**	302,500
Cash and cash equivalents		**1,303,860**	1,333,998
		10,808,845	10,638,359

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Current liabilities			
Trade and bills payables	9	**3,953,158**	3,385,773
Contract liabilities		**1,452,948**	2,263,578
Other payables		**529,483**	679,316
Interest-bearing borrowings		**60,000**	–
Short-term commercial paper		**2,600,000**	2,400,000
Lease liabilities		**6,992**	23,308
Tax liabilities		**22,148**	13,305
		8,624,729	8,765,280
Net current assets		**2,184,116**	1,873,079
Total assets less current liabilities		**8,474,186**	8,108,495
Non-current liabilities			
Lease liabilities		**370**	1,043
Deferred income		**156,342**	130,132
Deferred tax liabilities		**177,606**	183,591
Other long-term liabilities		**70,097**	92,329
		404,415	407,095
NET ASSETS		**8,069,771**	7,701,400
CAPITAL AND RESERVES			
Issued equity		**5,887,384**	5,887,384
Reserves		**2,018,192**	1,863,461
Total equity attributable to owners of the Company		**7,905,576**	7,750,845
Non-controlling interests		**164,195**	(49,445)
TOTAL EQUITY		**8,069,771**	7,701,400

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

1. Basis of preparation

The unaudited condensed consolidated financial information of the Group have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited condensed consolidated financial information have been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

2. Changes in accounting policies

The Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA to these financial statements for the current accounting period:

– Amendments to HKFRS 3, *Definition of a Business*

– Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

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

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

3. Revenue and segment reporting

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products of service lines		
– Sales of potash fertilizer	**2,149,792**	2,470,198
– Sales of nitrogen fertilizer	**3,171,814**	3,693,040
– Sales of compound fertilizer	**3,166,446**	3,431,463
– Sales of phosphate fertilizer	**2,529,694**	3,225,556
– Sales of monocalcium/dicalcium phosphate("MCP/DCP")	**443,409**	462,518
– Sales of other products	**1,087,887**	875,847
	12,549,042	14,158,622
Disaggregated by geographical location of customers		
– Mainland China	**12,165,581**	13,684,344
– Others	**383,461**	474,278
	12,549,042	14,158,622

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

(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 segments

	For the six months ended 30 June 2020				
	Basic Fertilizers *RMB'000*	**Distribution** *RMB'000*	**Production** *RMB'000*	**Elimination** *RMB'000*	**Total** *RMB'000*
External revenue	**8,075,194**	**3,644,028**	**829,820**	**–**	**12,549,042**
Internal revenue	**594,558**	**6,048**	**337,142**	**(937,748)**	**–**
Reportable segment revenue	**8,669,752**	**3,650,076**	**1,166,962**	**(937,748)**	**12,549,042**
Share of results of associates	**–**	**–**	**(15,352)**	**–**	**(15,352)**
Segment profit	**318,942**	**142,647**	**109,236**	**–**	**570,825**
Unallocated share of results of associates					**6,811**
Unallocated share of results of joint ventures					**(6,235)**
Unallocated expenses					**(179,109)**
Unallocated income					**72,594**
Profit before taxation					**464,886**

	For the six months ended 30 June 2019				
	Basic Fertilizers	Distribution	Production	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
External revenue	9,685,020	3,343,978	1,129,624	–	14,158,622
Internal revenue	190,661	5,029	964,635	(1,160,325)	–
Reportable segment revenue	9,875,681	3,349,007	2,094,259	(1,160,325)	14,158,622
Share of results of associates	–	–	3,157	–	3,157
Segment profit	344,995	104,606	132,866	–	582,467
Unallocated share of results of associates					11,958
Unallocated share of results of joint ventures					16,974
Unallocated expenses					(206,859)
Unallocated income					65,110
Profit before taxation					469,650

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without taking into account of unallocated share of results of associates and joint ventures, unallocated expenses/income and finance costs in relation to the unallocated 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. Profit before taxation

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

(a) Finance costs

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Interest on borrowings	**42,881**	96,271
Interest on lease liabilities	**340**	770
Less: interest expense capitalized *(note)*	**(27,928)**	(645)
	15,293	96,396

Note: The capitalization rate used to determine the amount of borrowing costs eligible for capitalization related to construction of plant is 3.85% for the current period (the corresponding period in 2019: 5%).

(b) Other items

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Depreciation charge		
– owned property, plant and equipment	**74,028**	130,794
– right-of-use assets	**17,140**	17,162
Amortization of mining rights	**16,812**	16,548
Amortization of other long-term assets	**4,618**	3,930
Release of deferred income	**(3,790)**	(6,449)
Impairment of trade and bills receivables	**–**	3,382
Impairment of other receivables and prepayments	**3,098**	–
Reversal of impairment of prepayments	**–**	(1,000)
Inventory write-down, net of reversal	**–**	615
(Gain)/loss on disposal of property, plant and equipment	**(1,275)**	105

5. Income tax

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Current tax – PRC Enterprise Income Tax	**16,735**	11,496
Deferred taxation	**(4,662)**	(4,060)
	12,073	7,436

(i) The provision for Hong Kong Profits Tax is calculated by applying at 16.5% (2019: 16.5%) of the estimated assessable profits for the six months ended 30 June 2020.

(ii) The provision for the PRC Enterprise Income Tax is based on the statutory rate of 25% (2019: 25%) on the estimated taxable profits determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain subsidiaries of the Group which enjoy a preferential tax rate according to related tax policies.

(iii) A subsidiary of the Group incorporated in Macao Special Administrative Region is exempted from income tax.

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

6. Earnings per share

The calculation of basic earnings per share is as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Profit attributable to owners of the Company		
Profit for the purpose of basic earnings per share	**447,845**	447,704
	'000 shares	*'000 shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,024,456**	7,024,456

The Group has no dilutive ordinary shares outstanding for the period ended 30 June 2020. Therefore, there was no difference between basic and diluted earnings per share.

7. Dividends

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

The Board of Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2020 (the corresponding period in 2019: nil).

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year of HK$0.0294 per share (the corresponding period in 2019: HK$0.0224 per share).	**187,912**	138,419

8. Trade and bills receivables

	At 30 June 2020	At 31 December 2019
	RMB'000	*RMB'000*
Trade receivables	**235,253**	39,289
Bills receivable	**386,868**	374,385
Less: allowance for doubtful debts	**(7,971)**	(7,993)
Trade and bills receivables	**614,150**	405,681

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

	At 30 June 2020	At 31 December 2019
	RMB'000	*RMB'000*
Within 3 months	**406,471**	225,025
Over 3 months but within 6 months	**118,485**	98,118
Over 6 months but within 12 months	**76,492**	69,558
Over 12 months	**12,702**	12,980
	614,150	405,681

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly.

9. **Trade and bills payables**

	At **30 June** **2020** ***RMB'000***	At 31 December 2019 *RMB'000*
Trade payables	**1,694,212**	1,367,060
Bills payable	**2,258,946**	2,018,713
Trade and bills payables	**3,953,158**	3,385,773

As at the end of the reporting period, the aging analysis of trade and bills payables presented based on the invoice date is as follows:

	At **30 June** **2020** ***RMB'000***	At 31 December 2019 *RMB'000*
Within 3 months	**2,987,325**	2,934,579
Over 3 months but within 6 months	**858,684**	353,709
Over 6 months but within 12 months	**54,642**	34,576
Over 12 months	**52,507**	62,909
	3,953,158	3,385,773

INTERIM DIVIDEND

The Board did not recommend the declaration of interim dividend for the six months ended 30 June 2020.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed, with the management and the external auditors, the condensed consolidated financial statements of the Company for the six months ended 30 June 2020, including the review of the accounting principles and practices adopted by the Group. The Audit Committee has also discussed with the management about auditing, risk management, internal controls, and financial reporting matters of the Group.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and its amendments from time to time as its own code of conduct regarding securities transaction by directors. Having made specific enquiries with all directors of the Company, all directors confirmed through a confirmation that they had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2020.

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

CORPORATE GOVERNANCE STANDARDS

Recognizing the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, the Company is committed to maintaining a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practices on corporate governance, and complies with the applicable corporate governance standards contained in relevant code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2020 and up to the date of this announcement, except for the deviations from the code provisions A.1.7 and E.1.2 as described below.

The code provision A.1.7 stipulates that, if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting. During the period and up to the date of this announcement, the Board approved certain continuing connected transactions and connected transactions by circulation of written resolutions in lieu of physical board meeting, for which certain directors of the Company are also the senior management of the connected person and therefore was regarded as having material interests therein. The Board considered that the adoption of written resolution in lieu of physical board meeting allowed the Board to make a decision relatively quicker in response to the rapid change in the fertilizer markets. Before formal execution of the written resolution, the directors (including the independent non-executive directors) had discussed the matters via emails and made amendments to the transactions as appropriate.

The code provision E.1.2 provides that, among others, the chairman of the board should attend the annual general meeting of the listed issuer. Since there is no chairman of the Board of the Company following Mr. Zhang Wei's resignation on 11 January 2019, in accordance with the bye-laws of the Company, Mr. Harry Yang, an executive director of the Company, was elected by the directors to chair the annual general meeting of the Company held on 14 May 2020 (the "2020 AGM"). Respective chairmen and/or members of the audit, remuneration, nomination and corporate governance committees of the Company were present at the 2020 AGM and were available to answer relevant questions, which was in compliance with other part of code provision E.1.2.

Save as disclosed above, please refer to the "Corporate Governance Report" contained in the Company's 2019 annual report for more information about the corporate governance of the Company.

BOARD OF DIRECTORS

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

For and on behalf of the Board
SINOFERT HOLDINGS LIMITED
Qin Hengde
Executive Director and Chief Executive Officer

Hong Kong, 20 August 2020

* *For identification purposes only*