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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- The Group's sales volume was 12.17 million tons (2019: 11.51 million tons), increased by 5.73% year on year
- The Group's turnover was RMB21,381 million (2019: RMB22,951 million), decreased by 6.84% year on year
- Profit for the year attributable to owners of the Company was RMB644 million (2019: RMB616 million), increased by 4.55% year on year
- Basic earnings per share for the year was RMB0.0917 (2019: RMB0.0877), increased by 4.56% year on year
- The Board recommended the payment of a final dividend of HK$0.0327 per share (equivalent to approximately RMB0.0275 per share) (2019: HK$0.0294, equivalent to approximately RMB0.0263)

CHAIRMAN'S STATEMENT

To shareholders,

On behalf of the Board of Directors (the "Board"), I hereby report to all shareholders the annual results of Sinofert Holdings Limited (the "Company") and its subsidiaries (collectively known as the "Group") for the year ended 31 December 2020.

In 2020, affected by the inter-related impact of factors such as the COVID-19 pandemic, China-US trade friction, extreme weather conditions and agricultural supply-side reform, the fertilizer industry was subject to severe challenges with key products experiencing significant price fluctuations. Facing such overwhelming market challenges, the Group firmly implemented various strategic initiatives determined at the beginning of the year, which include formulating an innovative "online sales and offline service" model, optimizing channel structure and implementing specialized operation, to duly seize market opportunities and achieve fruitful result on various fronts. In 2020, the Group achieved a total sales volume of 12.17 million tons, up by 6% year on year. Profit attributable to owners of the Company was RMB644 million, up by 5% year on year, representing a steady improvement in operating results. The operating indicators performed well, and the debt to assets structure was steady with a relatively strong solvency. At the same time, the Group has continuously achieved breakthroughs in strategic cooperation with domestic and overseas suppliers, and has been able to consolidate and enhance its operational capability on a continuous basis.

The Basic Fertilizers Division continued to comprehensively implement strategic concentrated procurement, aiming at ensuring a steady supply of high-quality products. The division steadily increased its strategic procurement volume, maintaining a stable proportion of strategic procurement. It constantly strengthened cooperation with major customers and significantly increased its proportion of sales volume to industrial customers. By adopting integrated operation for basic fertilizer products for agriculture, the sales volume was up by 24% year on year while the expense was down by 22% year on year, and efficiency has been greatly improved. The Group has iteratively upgraded the functions of Fertex, strengthened its effort in collaborating with government and enterprises as well as platform promotion, concentrated on direct sales to large-scale growers and explored service models for green planting. In 2020, sales volume of the Basic Fertilizers Division was 9.46 million tons, representing a year-on-year increase of 6%; profit before taxation amounted to RMB510 million, representing a year-on-year increase of 3%, continuing to be the anchor for profits.

The Distribution Division continued its robust growth to accelerate application of advanced technologies, explore synergy among research, production and sales and establish its R&D pipeline. Product structure is aligned with focus being put on differentiated products. The sales volume to large-scale growers and major customers of specific channels accounted for 16%, which was attributable to the constant promotion of channel upgrades and systematic improvement in service capabilities. By actively coordinating with Syngenta Group's internal resources, the crop protection business has surged in size and recorded an annual turnover of RMB315 million. In 2020, sales volume of the Distribution Division was 2.55 million tons, up by 9% year on year. The sales volume of special fertilizers and differentiated compound fertilizers amounted to 730,000 tons, accounting for 43% of domestic fertilizers. Profit before taxation amounted to RMB150 million, up by 39% year on year.

The production subsidiaries has achieved a sustained, full-load and optimal operation. Sinochem Jilin Changshan Chemical Co., Ltd. and Sinochem Yunlong Co., Ltd. both committed to overcome the adverse effect brought by decline in product price and recorded an annual sales volume of 560,000 tons in aggregate. Profit before taxation amounted to RMB207 million. Following the suspension of production of old plant of Sinochem Chongqing Fuling Chemicals Co., Ltd. ("Sinochem Fuling"), the production devices were removed through protective measures. The closure of phosphogypsum storage yard has passed environmental inspection and no abnormality operation was identified during the ongoing supervision. The construction of new plant aligned with the standard of industry leading enterprises by drawing from their experiences during the project design stage, from which comprehensively improving the internal and external quality of products.

The R&D team steadily expanded, while the R&D investment was steadily increased, and as a result, the capability of commercialization of research results was significantly improved, and technology reserves continued to be strengthened. The Group continued to deepen cooperation with external research institutes and enterprises, and achieved remarkable results in research and development. The newly developed compound fertilizers and differentiated basic fertilizer products demonstrated better market competitiveness. Meanwhile, the Group significantly boosted its biological fertilizers R&D capabilities by strategically investing in Beijing Aerospace Hengfeng Technology Corp., Ltd., a company with core R&D capabilities of microbial agent.

Despite the challenges of a changing market, the Board of Directors of the Company has always adhered to the goal of maximizing shareholder value, continuously improving corporate governance and optimizing the management system. In accordance with the Corporate Governance Code of the Stock Exchange of Hong Kong Limited, the Company's Board of Directors held four regular meetings in 2020 at which the Company's annual report, interim report, strategies and planning and other significant matters were reviewed and approved. Meanwhile, the Board also reviewed and approved other matters such as connected transactions, continuing connected transactions, significant business and financing matters through other means. The Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee of the Board had all fulfilled their respective duties and rights as entrusted by the Board on such matters as improving internal control, optimizing the remuneration and motivation systems and perfecting the corporate governance structure.

In 2021, China's fertilizer industry is still under the haze of uncertainties such as COVID-19 pandemic, international relations and extreme weather conditions. Industry consolidation and reshuffle will be intensified with the divergence of fertilizer enterprises. Meanwhile, with strong economic recovery in China, the Chinese government continues to attach great emphasis on agricultural modernization, as expressed in the latest Circular No.1 entitled "Opinion on Comprehensively Promote Rural Revitalization and Expedite Agricultural and Rural Modernization", which was officially announced on 21 February 2021 and launched a new chapter in comprehensively promoting agricultural modernization, being the 18th of such documents since the beginning of the new century. This will create important opportunities for the Group's innovative operations and business transformation.

In 2021, the Group will continue to focus on business transformation and upgrading, follow the trend of agricultural supply-side reform and the rapidly changing fertilizer industry, take root in modern agriculture, streamline the operational structure so as to achieve stable and sustainable growth. The Basic Fertilizers Division will continue to strengthen strategic procurement and marketing systems for agricultural and industrial customers, implement strategy to double the sales of potash fertilizer, and promote transformation of business model from marketing to platform service based on the Fertex ecological service. The Distribution Division will focus on differentiated products, promote crop-oriented upgrades of products, improve the level of digitalization, further implement the regionalization, horizontal expansion and professionalization of channels, and strengthen the corporate synergy with member companies of the Syngenta Group so as to maximize its channel value. The production subsidiaries will accelerate transformation and upgrading, and promote the "move for better and stronger" relocating work of Sinochem Fuling. The Group will continue to improve product R&D and commercialization capabilities, and push forward the construction of a highly efficient R&D and innovation platform for fertilizers with the Linyi R&D Centre at its core. Meanwhile, the Group will achieve faster transformation and development within Syngenta Group. The Group will consolidate its leading advantage in domestic sales scale, strengthen its position in the supply chain, promote the strategy of differentiated products, and further improve its profitability.

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

J. Erik Fyrwald
Chairman of the Board

Hong Kong, 30 March 2021

MANAGEMENT REVIEW AND PROSPECT

BUSINESS ENVIRONMENT

In 2020, the outbreak of the COVID-19 pandemic dealt a heavy blow to the global economy and resulted in a more complicated international environment, significantly increasing international instability and uncertainty. In response, the Chinese government took powerful actions to control the pandemic and actively implemented its policy of “stability on the six fronts” and the task of “security in the six areas”. As a result, China overcame the pandemic’s effects and became the first major economy that revived positive economic growth.

With its continuous promotion of the Rural Revitalization Strategy and supply-side structural reform, the Chinese government has put into place a comprehensive national food security strategy based on cultivated land management and application of technology. Its purpose is to strengthen the foundations of national food security, enhance protection of cultivated land, and improve the treatment of pollution from non-point agricultural sources. In recent years, though the total usage of fertilizers for agricultural production decreased to an extent, the usage intensity was high and comprehensive use efficiency had a great potential to grow. Additionally, though the fertilizer application ratio increased, it was still developing and a long way to go. Important approaches toward resolving the principal contradiction facing Chinese society in the new era include continuously deepening the concept of green development, doing a solid work on fertilizer application reduction and efficiency improvement, improving the agricultural production environment, and ensuring the quality and safety of agricultural products. 2020 was the year of achieving the goal of building a moderately prosperous society, and was the last year of winning the battle against poverty. Facing complicated domestic and foreign circumstances, it is crucial to stabilize the agricultural industry’s fundamentals with “agriculture, rural areas and farmers” as its cornerstone.

In 2020, the COVID-19 pandemic presented fertilizer companies with serious challenges in stocking for production and market circulation. Due to downturn of the upstream industry chain, fertilizer price declined significantly. In this light, the Chinese government increased investment and introduced policies supporting agriculture to stabilize grain production and increase farmers’ incomes. On the other hand, the Chinese government continued to propel tariff and value-added tax policies that were favorable to import and export of fertilizers, encouraging international cooperation to create a win-win market environment. Meanwhile, domestic companies effectively boosted a healthy development of the agricultural industry through keeping up with construction of a modern agricultural infrastructure integrated with products, technology and services, and providing comprehensive and cost-effective agricultural technical service solutions.

Despite the challenges of worldwide downturn, the Group, under the lead of the Board of Directors, explored new ideas and approaches, pursued innovation and promoted transformation and upgrade of channels to achieve professional operation. During the pandemic, the Group put all inventories of fertilizers throughout the country on the market to satisfy the demand from farmers. Major production enterprises realized safe, stable, long-term, full and high-quality operation with improving management standard and cost efficiency. The Group took advantage of joining Syngenta Group to build a portfolio of crop protection products, create customized product groups, and enhance sales of differentiated products while improving the Fertex platform’s functions of industrial chain service , exploring a transformation from a marketing model to a platform service provider model.

Financial Highlights

For the year ended 31 December 2020, the Group's revenue reached RMB21,381 million, down by 6.84% over the corresponding period in 2019 because of decreasing average selling prices. Profit attributable to owners of the Company was RMB644 million, up by 4.55% over the corresponding period in 2019, achieving a steady growth in financial results in a harsh business environment.

Research and Development

In 2020, the Group focused on research in key underlying technologies such as quality and output improvement, fertilizer application reduction and efficiency enhancement as well as soil improvement. The Group identified key R&D directions, and promoted upgrade of existing technology system. Also, the Group developed and upgraded 11 new crop nutrition products during the year, and transformed achievements of R&D that gave birth to sales volume of 751,000 tons, increased by 40% year on year. The Group conducted independent R&D in S-M50 slow-release technology which significantly enhanced the slow-release effect of nitrogen. A highly effective system was established for the selection and evaluation of agricultural microbial bacteria strains, and bio-fertilizer products were developed through self-research and external cooperation. The Group independently developed special fertilizer products such as suspended fertilizer and functional water-soluble fertilizer, and achieved their commercialization and promotion. The Group cooperated with Syngenta Group's member engaging in crop protection business in China to developed a compound fertilizer called Lanlin-Guanwushuang, which yielded obvious effect of quality improvement and output increase aiming at cash crops. The second-generation basic fertilizers for efficiency improvement such as Meilinmei and Linbao were jointly developed and commercialized by the Group and the Chinese Academy of Agricultural Sciences. In the future, the Group will focus on research and development of biological fertilizers and special fertilizers, constantly upgrade existing product portfolio and enhance core competitiveness.

Manufacturing

In 2020, facing the outbreak of the COVID-19 pandemic and the overall economic downturn, subsidiaries of the Group overcame various difficulties, actively resumed work and production and strengthened fundamental management of production and operation, while focusing on the prevention and control of the COVID-19 pandemic. By means of synergy among regions, cost control, energy-saving, consumption-reducing and quality enhancement, the Group achieved cost reduction and efficiency improvement. In addition, subsidiaries of the Group unceasingly promoted intrinsic safety, product upgrade, technological innovation and production process optimization to enhance product competitiveness as well as the efficiency of production and operation, further propelling sustainable development of the Group.

Sinochem Chongqing Fuling Chemicals Co., Ltd. ("Sinochem Fuling"), a subsidiary of the Group, actively implemented the spirit of General Secretary Xi Jinping's instructions of "together we protect and avoid large-scale development" for the construction of the Yangtze River Economic Belt, and made progress in the entire relocation for the sake of environmental protection. The old factory has completed dismantling of production equipments through protective measures as well as auction and disposal of operating assets. The Group closed the phosphogypsum slag plant, finished soil covering and re-greening with a high standard and passed the acceptance for plant closing and treatment. The leachate treatment station was operating smoothly and met the environmental protection standards. The new factory benchmarked to the first class enterprises, carried out high-start design and high-standard management for its new projects, and made sufficient technological reserves and conducted repeated testing and experiments. The preliminary design was completed and detailed design was underway. Site formation was completed in the main installation area of the new factory and construction of the main structure has commenced in December 2020.

Driven by the concept of sustainable development, Sinochem Jilin Changshan Chemical Co., Ltd. ("Sinochem Changshan"), a subsidiary of the Group, stressed on basic production work, realized a "safe, stable, long-term, full and high-quality" operation of its production facilities while exploring ways to increase revenue and reduce expenditure, improving its profitability. In 2020, facing the adverse conditions of decreasing market prices of major products and intense competition, Sinochem Changshan focused on "safety and stable production" as its core, and made dedicated efforts to achieve stable and high output. As a result, technology and consumption indicators of production and operation shown a continuous improvement. Sinochem Changshan achieved prosperity in production and sales through actively analyzing market demand and constantly adjusting its product structure. It produced of 200,700 tons of synthetic ammonia and 70,200 tons of urea in the year and maintained a high-quality 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. It focused on resolving difficulties in raw material supply, logistics and transportation, continuously optimized production processes, tightened internal control and management and fully pushed ahead its strategy, turning the crisis into opportunity and achieving a new high in sales volume of 342,700 tons of the MCP/DCP. As for sales, Sinochem Yunlong adhered to major customer strategy and entered into cooperation agreement with major domestic feeds stuff enterprises to secure sales volume under cooperation. It took initiatives to identify market opportunities and explore the products demand of new energy companies. Solid sales pivots were established in key emerging markets of Southern Asia, and market channel in Africa was opened up. In terms of production, the production of differentiated products with high margin such as granular and low chromium MCP and powder MDC was increased to contribute more profit. The appraisal for special consumptions such as consumptions of lignite and electricity was be promoted, with a significant enhancement in the combined utilization rate. Sinochem Yunlong consistently upgraded existing technologies for phosphate rock mining and production of phosphate and MCP/DCP through implementing technological R&D in resources utilization of phosphogypsum, phosphoric acid slag and tailings, and achieved full process commercialization and a 92% phosphorus yield, maintaining a leading position in quality and technology in the MCP/DCP industry.

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. The six systems of safety and risk avoidance was running stablely while the level of mechanization and automation was constantly improving. In 2020, it received the "National Green Mine" certification from the Ministry of Natural Resources. Through technological innovation and industrial upgrade, Sinochem Yunlong ensured the sustainable use of resources and continuously expanded the advantages in phosphate rock resources. It also established a flexible manufacturing platform for animal and plant nutritional fine phosphate to provide high-end phosphoric water-soluble fertilizers and support the sustainable development of the Group's phosphorus chemical business.

Basic Fertilizers Operations

The Basic fertilizers Division continued to comprehensively promote the strategic centralized procurement which ensured a stable supply of quality goods, while strategic procurement volume was steadily increased and strategic procurement ratio remained stable by focusing on the improvement of marketing ability and promoting the K30 core customer system upgrade plan, the sales proportion of industrial customers increased significantly. Through integrated operation, sales volume of agricultural basic fertilizer increased by 24%. Fertex's functions was upgraded, and it enriched the supply of products, improved efficiency of vehicle organization and reduced transportation costs via logistics function. Meanwhile, it steadily promoted the functional configuration of information, trading, payment and other modules. Also, the Basic Fertilizers Division strengthened cooperation between government and enterprises as well as promotion of the platform, increased influences, and explored a service mode of green planting.

Potash Operations: In 2020, sales volume of potash fertilizers was 2.10 million tons, representing a year on year increase of 14% which was achieved by further deepening strategic cooperation with suppliers and strengthening core customer system. The Group strengthened communication and strategic cooperation with international suppliers to increase the access to overseas high-quality potash fertilizers, maintaining a relatively low price of potash fertilizers around the world. The Group strengthened strategic cooperation with Qinghai Salt Lake Industry Co., Ltd., reinforced market information exchange, promoted connection and coordination among purchase, sales and shipment, and further enhanced its market position and influence. It further built up core customer system for industrial potash, enhanced professional marketing and service capacity, met customers' critical demands, and enhanced the scale of cooperation with core customers and their stickiness. In addition, the Group deepened the marketing channel of potash for agriculture, enriched product varieties, reshaped its core channel system and continued to build its proprietary brands. Online and offline promotion and pilot demonstration were strengthened to achieve restorative growth in the sales of potash for agriculture. Thereinto, sales volume of a product called Fenghexiang increased by 17%.

Nitrogen Operations: In 2020, sales volume of nitrogen fertilizers was 3.70 million tons, up by 7% over the corresponding period in 2019. The Group continued to promote strategic procurement of nitrogen fertilizers and maintained stable and close strategic partnerships with prime suppliers to secure low cost and stable supply capacity, with the proportion of strategic procurement increased by 6% over the corresponding period in 2019. In respect of sales, the Group continued its business model of maintaining a quick turnover rate and strictly controlled inventory exposure to achieve profitability in bulk quantity. At the same time, inventory exposure was hedged with urea futures which effectively controlled the risk of changes in market price. As for customers, the Group maintained the scale of direct sales to industrial customers, enhanced strategic partnership and strengthened development and maintenance of agricultural channel customers, achieving a steady increase in agricultural market share and sales growth in differentiated nitrogen fertilizers with high margin. For product research and development, the Group continued R&D in high growth and environmentally friendly products to improve soil quality, utilization rate of fertilizers and the ratio of input and output of farmers, making steady value contributions to customers.

Phosphate Operations: In 2020, sales volume of phosphate fertilizers was 2.08 million tons, down by 10% over the corresponding period in 2019, resulted from a decrease in the scale of export phosphate operation caused by the increase in phosphate fertilizer production of North Africa. Through large-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 phosphate 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, enhancing 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, achieving a stable profit and customer value enhancement and further consolidating 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”, was doubled consecutively in the three years since its launching. 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: The Group continued to build Fertex, an industrial chain service platform, to provide consumers and enterprises in the industry with the most authoritative fertilizer index as well as industry information. It has 200,000 registered users and attracted long-tail customers. Pilot trials for online trading were running well. Through establishing a logistic platform to organize transportation capability efficiently with rapid increases in the number of registered service providers and registered vehicles, and providing gradually enriched information service and financial service products, the Group empowered traditional industries, built industry ecosystem and established industrial influence gradually.

Distribution Operations

The Distribution Division firmly promoted the DTS in-depth channels building strategy and gave full play to the diversified channels, supporting the steady and rapid development of the business. It accelerated the application of advanced technology, as well as the synergy among research, production and marketing, and formed a pipeline of research and development. The product structure was optimized which focused on differentiated products promotion. The transformation and upgrade of traditional channels was consistently propelled and service capacity was systematically built up. In addition, the Distribution Division actively cooperated with the internal resources of the Syngenta Group, jointly built core products with member enterprises, and carried out product portfolio sales aiming at key crops. The scale of crop protection business grew rapidly.

Compound Fertilizer Operations: In 2020, sales volume of compound fertilizers was 2.40 million tons, up by 5% year on year. 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 explored 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 online marketing and increased promotion efforts on differentiated products. The Group increased its R&D investment in bio-technological applications, and achieved a rapid growth in sales volume of crop-oriented and differentiated products. To accelerate the construction of production capacity layout, the high tower compound fertilizer project with an annual production capacity of 200,000 tons of Sinochem Agricultural Ecological Technology (Hubei) Co., Ltd. was completed and put into operation, which further secured the steady supply of high-tech ecological in central China and southern China. With the synergy mechanism of production and marketing operating more efficiently, the utilization rate of production capacity was 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.

Special Fertilizer Operations: In 2020, sales volume of special fertilizers was 90,000 tons, up by 80% over the corresponding period in 2019. With the aim of promoting the sustainable development of agriculture in China, the Group continued to increase investment in R&D and production of new fertilizers. Leveraging on the innovation resources of the Linyi R&D Center, the Group continued to develop new and high-efficiency special fertilizers, and achieved a rapid increase in the sales of environment-friendly foliar products with high efficiency and rapid effect and suitable for spraying while the sales of soil improvement and soil health products increased significantly. In 2020, Sinochem Agriculture (Xinjiang) Biotechnology Co. Ltd.'s two new special fertilizer plants in Munus and Kashgar were successfully put into operation, providing strong product and technical support for Xinjiang's water-saving agriculture and cotton production.

Facing adverse factors such as the COVID-19 pandemic, the decline in crop prices and climate change, the Group took the advantage of its domestic distribution channel to propel its business model of "online promotion and offline services", which effectively satisfied the demand for the product and technology from growers, helping farmers to increase output and revenue. The Group will continue to increase innovation investment in the fertigation business and introduced remote communication and remote-control technologies to realize water conservation, fertilizer application reduction, saving labor and high output, making contribution to agricultural modernization and transformation.

The Group deeply understood the significance of the transformation and development of China's agricultural modernization, actively implemented the spirit of the Fifth Plenary Session of the 19th Central Committee of the Communist Party of China on accelerating the modernization of agriculture and rural areas. It focused on the technical research and commercialization of microbial inoculants regulated soil activity and organic product , and strategically invested in Beijing Aerospace Hengfeng Technology Corp., Ltd., which has R&D capacity for the core technology of microbial agent, to help speed up the Group's R&D in biological fertilizer products. The Group vigorously carried out research in green agricultural planting techniques, 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, ISO Risk Management Guidelines and the "Internal Control and Risk Management – A Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants, as well as the "Central Enterprises Comprehensive Risk Management Guidelines", the"Basic Rules of Corporate Internal Control" and its referencing guidelines, and the "Central Enterprises Compliance Management Guidelines" of China and national requirements on strengthening internal control system establishment and supervision in recent years. Under the principle of "high priority, frequent monitoring and diversion as the main solution" and with risk management orientation, the Group paid attention to improving risk and internal control management mechanism in line with the strategic development and integrated with business management. Through risk identification, assessment and response, the Group implemented a whole-process risk management, alert and response measures on material risks to serve its value creation.

In 2020, after joining Syngenta Group, the Group further promoted its management reform and business innovation, focused on optimization of internal control system and strengthened risk management and compliance supervision. Its risk and internal control system establishment was further deepened through strengthening group management and control, optimizing management system, improving supervision and evaluation system, increasing informatization, strengthening internal control audit and inspection, and conducting differentiated risk monitoring and assessment. The Group also actively promoted risk culture and raised risk awareness through various means, encouraged the management at all levels to build a safe operating environment in a scientific manner, and actively created a benign internal risk control atmosphere for "stable operation and healthy development". The Group took "streamlining, high efficiency, accountability and controlled authority" as its orientation, identified risks, differentiated and improved its internal control system and process, embed risk management and compliance management requirements into its business process, and continuously strengthened its internal control and management work. Each business unit experienced risk and internal control authority, strengthened its accountability and made constructive exploration on its risk and internal control mechanism.

In 2020, the internal control and management of the Group met the compliance requirements of domestic and foreign regulatory agencies and ensured compliance and healthy development of its business. The Group's internal control and management provided reasonable guarantee for adoption to changes in the market and operating environment, supporting of strategic transformation of the Group, protection of shareholders' interests and asset safety, and improvement of business quality.

Corporate Social Responsibility

In 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. Online and offline linkages of all business departments of the Group ensured the supply of agricultural inputs during spring ploughing period and contributed to a stable production of agricultural products. The Group carried out charity activities to prevent the pandemic together with rural counties, delivered anti-epidemic supplies such as disinfectants to the Hubei region, and made total donation amounted to RMB209,800. The Party organizations at all levels and the employees responded actively and donated to regions severely affected by the COVID-19 pandemic in Hubei so that the local government departments could fund the local pandemic prevention and control.

The Group served the Chinese farmers wholeheartedly, and actively brought into play its influence and leading status in the industry. While developing its channels down closer to customers, the Group directly provided agricultural inputs to the grass-root level and ensured steady supply of products through its comprehensive agricultural inputs distribution and service network covering more than 95% of China's arable land during the key period of spring cultivation, summer sowing and autumn harvesting seasons. 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. Meanwhile, the Group provided comprehensive and differentiated tailored services for large-scale growers and new planting entities to guide farmers to scientific fertilization. In 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, benefiting thousands of villages and towns.

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. The Group focused on projects, uncluding combination of agricultural techniques and agricultural machinery, promotion of deep side fertilization for rice and fertigation, organized new business entities to jointly launch large-scale demonstration field tours in various regions, vigorously promoted agricultural mechanized production, improved the utilization efficiency of fertilizer and water, and reduced pollution to agricultural environment. Through scientific use of soil improvement agents and organic fertilizers and conducting numerous pilot demonstrations and farmer trainings, the Group implemented cultivated land protection policies of the state.

In 2020, the Group actively fulfilled its corporate social responsibility, actively carried out donation, education-aid and other charity activities in rural areas, and contributed to the realization of the goal of strong agriculture, beautiful countryside and prosperous farmers. The Group donated RMB1 million in cash to the Red Cross Society of Chifeng for the purchase of intelligent irrigation system and supplementary agricultural equipment in Alu Kerqin Banner of Inner Mongolia, a targeted poverty alleviation county, donated RMB 203,300 of fertilizer to the disaster areas including Laiyang and Luochuan of Shandong Province, and carried out charity activities to help students in Xianfeng Town, Pulu Village, Fulu Village and Xundian County of Yunnan Province, donating RMB166,400. The Group supported development of Alu Kerqin Banner and other rural areas with the amount of porverty alleviation in the form of consumption reaching RMB968,300.

In the future, the Group will continue to focus on the requirement of modern agriculture 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 farmer's 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 regarding to 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 equipments to establish an effective and persistent mechanism on environmental protection, actively responding to national policies. Sineochem Chongqing Fuling Chemicals Co., Ltd. actively promoted relocation for the sake of environmental protection, so as to create harmony between energy and the environment. In 2020, the Group fully achieved its energy-saving and emission reduction goals.

Outlook

In 2021, the global economy will continue to be impacted by the COVID-19 pandemic. However, with the development and distribution of vaccines as well as other efforts being made to mitigate the impact of COVID-19 and get the economy back on track around the world, China's economy is expected to remain resilient. The Chinese government will consolidate and expand its achievements in poverty alleviation. The focus of work in "agriculture, rural areas and farmers" will step into a new stage of comprehensive revitalization, high quality and informatization development of rural areas, while agricultural modernization will become a new development trend.

China's agricultural modernization is still in the primary stage and agricultural transformation is facing great pressures. Problems such as overcapacity, low circulation efficiency, lack of support services and information asymmetry still exist in the fertilizer industry. The industry is undergoing profound reform to enhance its concentration and accelerate the shutdown of companies with outdated production capacity. With a rapidly increasing demand for high efficiency and environmentally friendly differentiated products, all enterprises are accelerating technological innovation to upgrade products and improve competitiveness. The COVID-19 pandemic and accompanying global economic uncertainty have increased new planting entities' demands for agricultural modernization with increased demands for mechanization, scale and intelligence. Changes in market demand have promoted the transformation of dealers to provide integrated agricultural services to end users.

As China's leading technology-based marketing and service provider in crop nutrition, the Group will provide better services for farmers and industry customers through innovative channels and the Fertex platform for industrial chain services. It will construct core capabilities and build long-term competitiveness through product portfolios and markets, precise research and development, efficient supply chains and digital transformation. It will seize the opportunity presented by the relocation of Sinochem Fuling to achieve industrial upgrading. Finally, it will drive the supply of green and efficient fertilizers such as differentiated compound fertilizers, specialty fertilizers for crops and special fertilizers on the basis of maintaining the development of nitrogen, phosphate, potash basic fertilizers, to achieve the rapid growth of differentiated products.

With the advancement of the Rural Revitalization Strategy, 2021 is a year of opportunity. The economic situation is expected to improve. Under the framework of Syngenta Group China, the Group will use its global innovation capabilities to empower China's domestic solutions, enhance the industry's overall level of technological innovation, and promote the modernization and transformation of China's agriculture. As a Chinese local company, the Group is committed to becoming an innovative leader in crop nutrition in China and a strong contributor to the growth of Syngenta Group China, exploring a high-quality and sustainable agricultural development with Chinese characteristics.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended 31 December 2020, sales volume of the group was 12.17 Million tons, up by 5.73% over the corresponding period in 2019. Revenue was RMB21,381 million, down by 6.84% over the corresponding period in 2019.

For the year ended 31 December 2020, gross profit of the group was RMB1,987 million, down by 4.75% over the corresponding period in 2019. Profit attributable to owners of the company was RMB644 million, up by 4.55% over the corresponding period in 2019.

I. OPERATION SCALE

1. Sales volume

For the year ended 31 December 2020, sales volume of the Group was 12.17 million tons, up by 5.73% over the corresponding period in 2019. In 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, timely adjusted business strategies, and modified logistics models in accordance with local conditions to overcome negative impacts of business environment as well as ensure the demand for fertilizer for arable land.

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 carried out differentiated products strategy, and concentrated on building a crop-oriented product system with the product structure transformed to environmentally friendly and high-efficiency fertilizers, enhancing the product competitiveness. For the year ended 31 December 2020, total sales volume of special fertilizers and differentiated fertilizers was 1.05 million tons, increased by 37% over the corresponding period in 2019. Thereinto, sales volume of special fertilizers was 90,000 tons, increased by 80% over the corresponding period in 2019. Sales volume of differentiated compound fertilizer was 640,000 tons, increased by 19% over the corresponding period in 2019. Sales volume of differentiated nitrogen fertilizer was 220,000 tons, up by 30% year on year, and sales volume of new type of phosphate fertilizer was 90,000 tons, up by 62% over the corresponding period in 2019.

2. Revenue

For the year ended 31 December 2020, revenue of the Group amounted to RMB21,381 million, down by RMB1,570 million or 6.84% compared with the corresponding period in 2019, mainly resulted from a decrease in average selling price.

Table 1:

	For the year ended 31 December			
	2020		2019	
	Revenue *RMB'000*	**As percentage of total revenue**	Revenue *RMB'000*	As percentage of total revenue
Potash fertilizers	**3,868,006**	**18.09%**	3,842,063	16.74%
Nitrogen fertilizers	**4,981,386**	**23.30%**	5,336,601	23.25%
Compound fertilizers	**5,703,913**	**26.68%**	5,852,289	25.50%
Phosphate fertilizers	**4,116,953**	**19.26%**	5,004,695	21.81%
Monocalcium/Dicalcium phosphate (MCP/DCP)	**826,843**	**3.87%**	879,096	3.83%
Special fertilizers	**413,785**	**1.93%**	226,035	0.98%
Others	**1,469,854**	**6.87%**	1,810,163	7.89%
Total	**21,380,740**	**100.00%**	22,950,942	100.00%

3. Revenue and results by segment

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

The following is an analysis of the Group's revenue and results by operating segment for the year ended 31 December 2020 and the year ended 31 December 2019.

Table 2:

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

	For the year ended 31 December 2019				
	Basic Fertilizers	Distribution	Production	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue					
External revenue	14,589,804	6,243,042	2,118,096	–	22,950,942
Internal revenue	970,700	12,599	1,412,424	(2,395,723)	–
Segment revenue	15,560,504	6,255,641	3,530,520	(2,395,723)	22,950,942
Segment profit	493,717	107,577	265,110	–	866,404

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

For the year ended 31 December 2020, the segment profit of the Group was RMB886 million. In particular, 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. For the year ended 31 December 2020, the Basic Fertilizers Segment made a profit of RMB510 million, up by 3.24% over the corresponding period in 2019. The Distribution Segment extended its coverage in the core markets, relied on diversified channels to develop the markets where its presence was weak, promoted the transformation and upgrade of traditional channels, and continuously improve the contribution of volume and profit of differentiated products through the integration of research, production and sales. The Distribution Segment made a profit of RMB150 million in 2020, up by 38.89% over the corresponding period in 2019. Major fertilizer production subsidiaries of the Production Segment continued to strengthen basic work, kept a safe, continuous and stable operation, implemented process optimization, cost reduction and efficiency enhancement, and actively explored the market. The Production Segment made a profit of RMB226 million, down by 14.72% over the corresponding period in 2019, mainly attributable to the production suspension of Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd. ("Sinochem Fuling").

II. PROFIT

1. Share of results of joint associates and ventures

Share of results of associates: For the year ended 31 December 2020, the share of results of associates of the Group was a profit of RMB40 million, up by 100% from RMB20 million for the year ended 31 December 2019. The main reason was that the Group's share of results of Yangmei Pingyuan Chemical Co., Ltd. ("Yangmei Pingyuan") was a profit of RMB39 million in 2020, up by RMB21 million compared with the corresponding period in 2019.

Share of results of joint ventures: For the year ended 31 December 2020, the share of results of joint ventures of the Group was a profit of RMB40 million, significantly increased compared with the corresponding period of 2019. This was mainly due to the fact that Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. ("Yunnan Three Circles") turned from loss into profit and significantly increased performance. In 2020, the Group's share of results of Yunnan Three Circles was a profit of RMB30 million, increased by RMB41 million year on year. The Group's share of results of Gansu Wengfu Chemical Co., Ltd. ("Gansu Wengfu") was a profit of RMB10 million, down by RMB1 million or 9% compared with the corresponding period in 2019.

2. Income tax

For the year ended 31 December 2020, income tax expense of the Group was RMB18 million, of which current income tax expense was RMB32 million and deferred income tax expense was RMB-14 million. In 2020, the taxable profit of subsidiaries of the Group increased over the previous year due to an improvement of business performance. As a result, current income tax expense increased by 39.13% compared with the corresponding period in 2019.

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 tax rate of Mainland China is 25%, the Group's profit derived from Macao is exempted from profit tax, while the tax rates of Hong Kong and Singapore are 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 year ended 31 December 2020, profit attributable to owners of the Company was RMB644 million, up by 4.55% compared with a profit of RMB616 million in 2019, which represented a steady improvement in business performance in a tough market situation. Faced with fierce market competition and great transformation pressure, the Group adhered to the direction of strategic development, took various operational measures, increased shares of sales of differentiated products, enhanced customer service capabilities, carried out a series of technical reform as well as scientific and technological innovations, and constantly deepened business transformation.

For the year ended 31 December 2020, the net profit margin of the Group, calculated by dividing profit attributable to owners of the company by revenue, was 3.01%.

III. EXPENSES

For the year ended 31 December 2020, the three categories of expenses amounted to RMB1,451 million, decreased by RMB183 million or 11.20% from RMB1,634 million in 2019.

Selling and distribution expenses: For the year ended 31 December 2020, selling and distribution expenses amounted to RMB826 million, increased by RMB10 million or 1.23% from RMB816 million over the corresponding period in 2019. This was mainly attributable to the fact that in order to deepen collaboration and enhance channel service capability, the Group expanded the sales force and optimized the incentive plan, resulting in an increase in the total labor cost of sales personnel.

Administrative expenses: For the year ended 31 December 2020, administrative expenses amounted to RMB588 million, decreased by RMB60 million or 9.26% from RMB648 million over the corresponding period in 2019. This was due to the fact that the Group optimized management structure and improved efficiency. Also, the group actively took advantage of the preferential policies during COVID-19 pandemic to decrease social security payment, and thus total labor cost of management personnel was reduced by RMB25 million. Meanwhile, the production equipment was in good conditions, and the repair cost decreased by RMB20 million. Moreover, during the COVID-19 pandemic, there was a decrease in the number of offline meetings and business trips, resulted in a reduction in office expenses

Finance costs: For the year ended 31 December 2020, finance costs amounted to RMB37 million, decreased by RMB133 million or 78.24% from RMB170 million over the corresponding period in 2019. This was mainly due to a lean management of funds, decreasing average loan scale and interest rate, and a capitalization of loan interest payment derived from Sinochem Fuling relocation and other construction project.

IV. OTHER INCOME AND GAINS

This mainly consisted of interest income, sales of semi-finished products, raw materials and crapped materials. For the year ended 31 December 2020, the Group's other income and gains amounted to RMB213 million, decreased by RMB23 million or 9.75% from RMB236 million over the corresponding period in 2019, which was mainly due to a decrease in interest income.

V. OTHER EXPENSES AND LOSSES

This mainly consisted of losses from assets impairment, changes in the fair value of foward foreign exchange contracts and disposal of fixed assets, raw materials and scrapped materials. For the year ended 31 December 2020, the Group's other expenses and losses amounted to RMB157 million, increased by RMB98 million or 166.10% from RMB59 million over the corresponding period in 2019. This was mainly due to the fact that the exchange rate of RMB against the US dollar rose sharply at the end of 2020, and thus the loss from fair value change of the Group's foward foreign exchange contract increased by RMB53 million over the corresponding period in 2019. Also, at the end of the year, the Group recognized provisions for impairment of some old-age inventories and fixed assets planned to be dismantled and scrapped, as a result, the impairment loss of assets has increased by RMB38 million compared with the previous year.

VI. INVENTORIES

As at 31 December 2020, the inventories balance of the Group amounted to RMB5,323 million, decreased by RMB52 million or 0.97% from RMB5,375 million as at 31 December 2019, mainly due to a decreasing average unit price of the inventories.

The Group continued to strengthen the coordination between procurement and marketing. In the light of possible impact of COVID-19 on the logistics in winter, the Group prepared the stock in advance at the end of 2020 to satisfy the demand for fertilizer in the next spring ploughing season. As at 31 December 2020, the inventory scale increased slightly compared with that at 31 December 2019.The inventory turnover days in 2020 was 99 days[(Note)], increased by 5 days compared with 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 360 days.

VII. TRADE AND BILLS RECEIVABLES

As at 31 December 2020, the balance of the Group's trade and bills receivables amounted to RMB572 million, increased by RMB166 million or 40.89% from RMB406 million as at 31 December 2019, mainly resulting from an increasing balance of bills receivable.

The turnover days of the Group's trade and bills receivables was 8 days[(Note)] in 2020, 1 day slower than 7 days[(Note)] in 2019. The Group actively prevented credit risk, and strengthened the review of credit approval and qualifications of the acceptance banks.

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 360 days.

VIII. LOANS TO RELATED PARTIES

The Group's balance of loans to related companies was RMB1,620 million as at 31 December 2020. Sinochem Fertilizer Company Limited ("Sinochem Fertilizer"), a subsidiary of the Group, provided an entrusted loan of RMB670 million to Yangmei Pingyuan through Sinochem Finance Co., Ltd. ("Sinochem Finance") to supplement daily working capital, and provided a fund of RMB950 million to Sinochem Agriculture Holdings Limited for its daily working capital and purchase of fixed assets.

IX. INTERESTS IN ASSOCIATES

As at 31 December 2020, the balance of the Group's interests in associates amounted to RMB619 million, increased by RMB86 million or 16.14% from RMB533 million as at 31 December 2019. In March 2020 and October 2020, the Group acquired 20% of equity interest in Beijing Aerospace Hengfeng Technology Corp., Ltd. ("Aerospace Hengfeng") at a total amount of RMB90 million to strengthen its cooperation with Aerospace Hengfeng in microbial fertilizers. On the other hand, due to the decision of profit distribution made by Yangmei Pingyuan, the Group's interests in Yangmei Pingyuan reduced by RMB41 million. In 2020, the share of results of associates was a profit of RMB40 million.

X. INTERESTS IN JOINT VENTURES

As at 31 December 2020, the balance of the Group's interests in joint ventures amounted to RMB395 million, increased by RMB40 million or 11.27% from RMB355 million as at 31 December 2019, which was mainly due to the fact that based on the equity method, the Group's share of results of Yunnan Three Circles was a profit of RMB30 million, and the Group's share of results of Gansu Wengfu was a profit of RMB10 million.

XI. OTHER EQUITY SECURITIES

As at 31 December 2020, the balance of the Group's other equity securities amounted to RMB312 million, decreased by RMB79 million or 20.20% from RMB391 million as at 31 December 2019, which was mainly due to a decrease of RMB74 million in fair value of the equity interest of Guizhou Kailin (Group) Co., Ltd. held by the Group.

XII. OTHER LONG-TERM ASSETS

As at 31 December 2020, the total amount of the Group's other long-term assets amounted to RMB743 million, increased by RMB128 million, or 20.81%, from RMB615 million as at 31 December 2019, which was mainly due to that Sinochem Fuling, a subsidiary of the Group, recognized increasing land reclamation expense and relevant expenses incurred during the transitional period of the relocation under this account.

XIII. INTEREST-BEARING LIABILITIES

As at 31 December 2020, the Group's interest-bearing liabilities amounted to RMB1,767 million, decreased by RMB657 million or 27.10% from RMB2,424 million as at 31 December 2019, mainly due to a decreasing balance of the super short-term bond issued by Sinochem Fertilizer, a subsidiary of the Group. For detail information of the interest-bearing liabilities. please see the "XVI Liquidity and Financial Resources" section.

XIV. TRADE AND BILLS PAYABLES

As at 31 December 2020, the balance of the Group's trade and bills payables amounted to RMB2,426 million, decreased by RMB960 million or 28.35% from RMB3,386 million as at 31 December 2019, which was mainly due to the decrease in the balance of bills payables.

XV. OTHER FINANCIAL INDICATORS

The Group uses earnings per share and return on equity (ROE) to evaluate profitability, current ratio and debt-to-equity ratio to evaluate solvency, and the trade and bills receivables turnover days and inventory turnover days to evaluate operating capacity (see the inventory and trade and bills receivables part of Management's Discussion and Analysis). By analyzing financial indexes such as profitability, liquidity and capital adequacy as well as operating capacity, financial standing and operating results can be fully summarized and evaluated, the performance of the management can be effectively assessed and the maximum interest of the owners of the Group can be achieved. Basic earnings per share was RMB0.0917 and return on equity (ROE) was 8.18% as at 31 December 2020, both increased compared with those in 2019.

Table 3:

	2020	2019
Profitability		
Earnings per share (RMB) *(Note 1)*	**0.0917**	0.0877
Return on equity *(Note 2)*	**8.18%**	8.16%

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

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

As at 31 December 2020, the Group's current ratio was 1.09, and the debt-to-equity ratio was 21.64%. The Group enjoyed relatively high banking facilities, and it had smooth financing channels and diversified fund-raising methods. The Group maintained a stable financial structure through actively taking various operating measures.

Table 4:

	As at 31 December	
	2020	2019
Solvency		
Current ratio *(Note 1)*	**1.09**	1.21
Debt-to-Equity ratio *(Note 2)*	**21.64%**	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.

XVI.LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2020, cash and cash equivalents of the Group amounted to RMB763 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 31 December	
	2020	2019
	RMB'000	*RMB'000*
Short-term commercial paper	**1,000,000**	2,400,000
Bank loan	**714,297**	–
Lease liabilities	**52,927**	24,351
Total	**1,767,224**	2,424,351

Table 6:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Carrying amount of interest-bearing liabilities		
Within one year	**1,754,821**	2,423,308
More than one year	**12,403**	1,043
Total	**1,767,224**	2,424,351

Table 7:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Fixed-rate interest-bearing liabilities	**1,767,224**	2,424,351
Floating-rate interest-bearing liabilities	**–**	–
Total	**1,767,224**	2,424,351

As at 31 December 2020, the Group had banking facilities equivalent to RMB27,028 million, including US$1,031 million and RMB20,301 million, respectively. The unutilized banking facilities amounted to RMB23,734 million, including US$944 million and RMB17,573 million, respectively.

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

XVII. OPERATION AND FINANCIAL RISKS

The Group's major operation risks include the spread of the COVID-19 pandemic, slowdown in global economic growth, tightened external environment, economic and trade frictions one after another, intensified protectionism, internal integration within the Group, and adjustment of organization structure. Due to the supply-side structural reform and the policy of cutting overcapacity, economic growth slowed down and downward pressure continued to increase. Market competition in the fertilizer industry had 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 took initiative to cope with great changes in the domestic and international environment and steadily improve its business operation, boosting business confidence. On the one hand, the basic business strengthened the acquisition of resources, focused on deepening channels, expanded its business scale, brand status and profitability, and consolidated its market competitiveness; on the other hand, the Group continued to promote strategic transformation and resource integration, adjusted and optimized the industrial structure, promoted and enhanced innovative businesses such as technical services and Fertex to seek new growth methods, 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, and risks associated with data fraud or theft.

Environmental and social risks

With the increasingly strict requirements on environmental protection management and continuously strengthening efforts in pollution control from the government, the enterprises were required to attach great importance to various environmental protection work in the process of production and operation. The subsidiaries of the Group, engaged in resource development and fertilizer production, strictly complied with laws and regulations such as the Environmental Protection Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China as well as the Water Pollution Prevention and Control Law of the People's Republic of China. By strict investigation and management on corporate environmental risk sources, they implemented specific control measures to prevent and control pollution of air, surface water, underground water and soil. In addition, they formulated emergency plans for sudden environmental pollution incidents, equipped themselves with necessary emergency disposal materials, seriously performed emergency response drills, and implemented measures such as promptly launching emergency plans to limit production during heavy pollution weather. No environmental pollution accident occurred throughout the year of 2020.

Cyber risk and security

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

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

Risks associated with data fraud or theft

In order to keep state secrets and 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 to 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, HK dollar and Singapore dollar. Due to the presence of a certain scale of import and export business of the Group, the exchange rate fluctuations have an impact on the cost of import and export revenue. The management of the Group has always taken prudent measures such as spot purchase of foreign exchange and foreign exchange forward to deal with exchange rate risk, 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 is subject to that the counterparties may fail to carry out their obligations with regard to the book value of all types of financial assets recognized and recorded in the consolidated statement of financial position on 31 December 2020. Once the management on credit risk is missing, bad debt losses may influence the normal running of the Group as a result of uncollectible accounts and unavailable inventory after advance payment.

The Group has complete management procedures and response mechanisms in respect of credit evaluation of credit customers, granting credit line and credit period, transaction management and control, process monitoring, collection of overdue accounts and other related aspects. The Group develops adequate risk management strategies and measures to prevent and control the risk, continuously allocates more credit resources to strategic and high-quality core customers/suppliers, speeds up operational turnover efficiency, and transfers bad debt risks by proper utilization of various risk protection measures so as to ensure the effective follow-up of credit business. The Group checks the recoveries of accounts receivable and prepaid accounts for major trading operations at monthly settlement date to ensure that there is sufficient provision for bad debts for unrecoverable accounts, and thus the Group's credit risk rarely occurs.

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 bonds at maturity.

XVIII. CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no contingent liabilities.

XIX. CAPITAL COMMITMENT

Table 8:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Contracted but not provided for		
– Property, plant and equipment	**1,108,545**	278,169
Authorized but not contracted for		
– Property, plant and equipment	**1,120,537**	1,425,975
Total	**2,229,082**	1,704,144

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

XX. MATERIAL INVESTMENTS

By 31 December 2020, total expenditures of Sinochem Fuling on project with an annual production of 200,000 tons of fine phosphate and supporting new-type special fertilizers, located in Baitao Industrial Park of Fuling, Chongqing, had accumulated to RMB282 million, and the amount of its recycled production devices and equipments from old plants was RMB75 million. According to the relocation investment plan, the total investment of the project is RMB3,292 million, and all required funds was raised by Sinochem Fuling.

XXI. HUMAN RESOURCES

The key components of the Group's remuneration package include basic salary, and where applicable, other allowances, annual performance bonus and other rewards, mandatory provident funds and state-managed retirement benefits scheme. The objective of the Group is to associate the interests of key employees with the performance of the Group and the interests of shareholders, as well as to achieve a balance of short-term and long-term benefits through a reasonable system. 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-calibre employees required for the development of the Group and to avoid offering excess reward.

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

The Group reviews its remuneration policy annually and engages professional consultant, if necessary, to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 31 December 2020, the Group had about 5,113 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 2020, the Group provided 19,258 person-times or 123,687 hours of training (any training organized by the subsidiaries has not been included in these numbers) to employees. The training courses covered areas such as industrial development, strategy implementation, organizational skills, corporate culture, leadership enhancement, marketing management, innovative methods and tools, policy interpretation, new media operations, product knowledge, technical exchanges, compliance risks, epidemic control and prevention, finance, human resource management, safe production and general working skills. These training will further improve the management skills and professional standards of the management of the Group and enhance the overall quality of the employees to cater to the Group's rapid developments, and improve the competitiveness of the Group.

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

The board of directors (the "Board") of Sinofert Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020, together with the comparative figures for prior year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	**2020**	2019
		RMB'000	*RMB'000*
Revenue	*3(a)*	**21,380,740**	22,950,942
Cost of sales		**(19,393,757)**	(20,865,294)
Gross profit		**1,986,983**	2,085,648
Other income and gains		**212,602**	236,176
Selling and distribution expenses		**(825,743)**	(816,015)
Administrative expenses		**(587,942)**	(648,406)
Other expenses and losses		**(156,934)**	(59,031)
Profit from operations		**628,966**	798,372
Share of results of associates		**40,020**	20,361
Share of results of joint ventures		**39,790**	(290)
Loss on liquidation of an associate		**–**	(49)
Gain on liquidation of a joint venture		**–**	2,319
Finance costs	*4(a)*	**(37,034)**	(170,388)
Profit before taxation	*4*	**671,742**	650,325
Income tax	*5(a)*	**(18,317)**	(5,993)
Profit for the year		**653,425**	644,332
Profit for the year attributable to:			
– Owners of the Company		**644,074**	615,767
– Non-controlling interests		**9,351**	28,565
		653,425	644,332

	Note	2020 *RMB'000*	2019 *RMB'000*
Profit for the year		**653,425**	644,332
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)		**(56,307)**	(82,106)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**(88,710)**	36,614
Other comprehensive income for the year		**(145,017)**	(45,492)
Total comprehensive income for the year		**508,408**	598,840
Total comprehensive income attributable to:			
– Owners of the Company		**499,057**	570,275
– Non-controlling interests		**9,351**	28,565
		508,408	598,840
Earnings per share			
Basic and diluted (RMB)	*7*	**0.0917**	0.0877

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2020

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		**2,808,287**	2,394,497
Right-of-use assets		**503,215**	455,754
Mining rights		**479,545**	513,113
Intangible assets		**17,229**	–
Goodwill		**831,107**	850,429
Interests in associates		**619,045**	532,880
Interests in joint ventures		**394,618**	354,828
Other equity securities		**312,286**	390,570
Prepayments for acquisition of property, plant and equipment		**83,640**	59,664
Loans to a related party	*8*	**950,000**	–
Deferred tax assets		**89,329**	68,914
Other long-term assets	*9*	**742,986**	614,767
		7,831,287	6,235,416
Current assets			
Inventories		**5,323,067**	5,375,220
Trade and bills receivables	*10*	**571,719**	405,681
Other receivables and prepayments		**1,945,754**	1,900,960
Loans to related parties	*8*	**670,000**	920,000
Other financial assets		**4,657**	400,000
Time deposits		**–**	302,500
Cash and cash equivalents		**762,548**	1,333,998
		9,277,745	10,638,359

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
Current liabilities			
Trade and bills payables	*11*	**2,425,679**	3,385,773
Contract liabilities		**3,680,473**	2,263,578
Other payables		**657,220**	679,316
Bank loans		**714,297**	–
Short-term commercial paper		**1,000,000**	2,400,000
Lease liabilities		**40,524**	23,308
Tax liabilities		**18,627**	13,305
		8,536,820	8,765,280
Net current assets		**740,925**	1,873,079
Total assets less current liabilities		**8,572,212**	8,108,495
Non-current liabilities			
Lease liabilities		**12,403**	1,043
Deferred income		**152,553**	130,132
Deferred tax liabilities		**171,622**	183,591
Other long-term liabilities		**69,083**	92,329
		405,661	407,095
NET ASSETS		**8,166,551**	7,701,400
CAPITAL AND RESERVES			
Issued equity		**5,887,384**	5,887,384
Reserves		**2,115,934**	1,863,461
Total equity attributable to owners of the Company		**8,003,318**	7,750,845
Non-controlling interests		**163,233**	(49,445)
TOTAL EQUITY		**8,166,551**	7,701,400

1. GENERAL

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

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements for the year ended 31 December 2020 comprise the Group and the Group's interest in associates and joint ventures.

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

- financial instruments classified as other equity securities and other financial assets;
- derivative financial instruments; and
- bills receivable.

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

The Group has applied the following amendments to 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 the amendment that would have a material effect on the Group's results and financial position for the current or prior periods in this financial report or on the presentation of the Group's results and financial position.

Besides the aforementioned above, the accounting policies used in the consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
– Sales of potash fertilizer	**3,868,006**	3,842,063
– Sales of nitrogen fertilizer	**4,981,386**	5,336,601
– Sales of compound fertilizer	**5,703,913**	5,852,289
– Sales of phosphate fertilizer	**4,116,953**	5,004,695
– Sales of monocalcium/dicalcium phosphate ("MCP/DCP")	**826,843**	879,096
– Sales of special fertilizer	**413,785**	226,035
– Others	**1,469,854**	1,810,163
	21,380,740	22,950,942

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

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

(b) Segment reporting

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

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

(i) Segment results

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

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

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

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

2019	Basic fertilizers *RMB'000*	Distribution *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue					
External revenue	14,589,804	6,243,042	2,118,096	–	22,950,942
Internal revenue	970,700	12,599	1,412,424	(2,395,723)	–
Segment revenue	15,560,504	6,255,641	3,530,520	(2,395,723)	22,950,942
Share of results of associates	–	–	2,381	–	2,381
Segment profit	493,717	107,577	265,110	–	866,404
Unallocated share of results of associates					17,980
Unallocated share of results of joint ventures					(290)
Unallocated expenses					(372,582)
Unallocated income					138,813
Profit before taxation					650,325

(ii) Other segment information

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

2019	Basic fertilizers *RMB'000*	Distribution *RMB'000*	Production *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measures of segment profit:					
Impairment of trade and bills receivables	(5,322)	–	3	–	(5,319)
Reversal of impairment of other receivables and prepayments	–	–	1,518	–	1,518
Impairment loss on property, plant and equipment	–	–	(13,563)	–	(13,563)
Depreciation and amortization	(7,878)	(51,049)	(252,175)	(3,601)	(314,703)
Write-down of inventories	(3,886)	(1,995)	(2,678)	–	(8,559)
Loss on disposal of property, plant and equipment	(134)	(83)	(5,889)	–	(6,106)
Write-off of payables	3,034	2,289	5,330	–	10,653

(iii) Geographical information

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

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

	Revenue from external customers		**Non-current assets**	
			As at 31 December	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	**RMB'000**	*RMB'000*
Mainland China	**20,602,272**	22,125,075	**7,427,721**	5,771,562
Others	**778,468**	825,867	**1,951**	4,370
	21,380,740	22,950,942	**7,429,672**	5,775,932

4. PROFIT BEFORE TAXATION

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

(a) Finance costs

	2020	2019
	RMB'000	*RMB'000*
Interest on borrowings	**71,718**	187,397
Interest on lease liabilities	**3,144**	1,403
Less: interest expense capitalized *(Note)*	**(37,828)**	(18,412)
	37,034	170,388

Note: The capitalization rate used to determine the amount of borrowing costs eligible for capitalization related to construction of production lines is 2.60% (2019: 4.02%) for the year ended 31 December 2020.

(b) Other items

	2020	2019
	RMB'000	*RMB'000*
Depreciation charge		
– owned property, plant and equipment	**154,501**	239,251
– right-of-use assets	**66,976**	35,388
Amortization of mining rights	**33,568**	33,063
Amortization of other long-term assets	**14,773**	7,001
Amortization of intangible aseets	**2,838**	–
Loss on disposal of property, plant and equipment	**11,804**	6,106
Loss on liquidation of an associate	**–**	49
Gain on liquidation of a joint venture	**–**	(2,319)
Fair value changes of other financial assets	**1,609**	–
Fair value changes of forward foreign exchange contracts	**52,643**	–
Impairment of trade and bills receivables	**6,391**	5,319
Impairment recognized/(reversal of impairment) of other receivables and prepayments	**18,541**	(1,518)
Write-down of inventories	**21,800**	8,559
Impairment loss on property, plant and equipment	**16,694**	13,563
Impairment loss on intangible assets	**110**	–
Foreign exchange loss	**9,756**	1,803
Rental income	**(7,713)**	(12,281)
Dividend income from listed equity securities	**(3,872)**	(5,080)
Interest income from related parties	**(50,534)**	(73,776)
Interest income from time deposits	**(9,363)**	(6,571)
Other interest income	**(62,555)**	(55,210)
Sales of semi-product, raw materials and scrapped materials	**(39,073)**	(20,332)
Release of deferred income	**(7,579)**	(12,943)
Write-off of payables	**(8,850)**	(10,653)

5. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2020	2019
	RMB'000	*RMB'000*
Provision for the year	**(30,089)**	(23,497)
Under-provision in prior years	**(1,947)**	–
Deferred tax		
Origination and reversal of temporary differences	**13,719**	17,504
	(18,317)	(5,993)

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

(ii) The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year.

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

(iv) A subsidiary of the Group incorporated in Macao SAR is exempted from income tax.

(v) The provision for Singapore Profits Tax for 2020 is calculated at 17% (2019: 17%) of the estimated assessable profits for the year.

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

	2020	2019
	RMB'000	*RMB'000*
Profit before taxation	**671,742**	650,325
Tax calculated at the applicable tax rate of 25%	**(167,936)**	(162,581)
Effect of different income tax rates	**47,545**	58,071
Tax effect of non-deductible expenses	**(10,214)**	(9,352)
Tax effect of non-taxable income	**290**	255
Tax effect of share of results of associates	**10,005**	5,090
Tax effect of share of results of joint ventures	**9,948**	(72)
Effect of prior year unrecognized tax losses and deductible temporary differences recognized during the year	**109,446**	106,085
Effect of tax losses and deductible temporary difference not recognized	**(15,454)**	(3,489)
Under-provision in prior years	**(1,947)**	–
Income tax expense for the year	**(18,317)**	(5,993)

6. DIVIDENDS

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

	2020	2019
	RMB'000	*RMB'000*
Proposed final dividend of HK$0.0327, equivalent to approximately RMB0.0275, per share (2019: HK$0.0294, equivalent to approximately RMB0.0263, per share)	**193,315**	185,000

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

7. EARNINGS PER SHARE

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

	2020	2019
	RMB'000	*RMB'000*
Earnings attributable to owners of the Company		
Earnings for the purpose of basic/diluted earnings per share	**644,074**	615,767

	2020	2019
	'000 shares	*'000 shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic/diluted earnings per share	**7,024,456**	7,024,456

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

8. LOANS TO RELATED PARTIES

	Note	**As at 31 December**	
		2020	2019
		RMB'000	*RMB'000*
Sinochem Agriculture Holdings Limited ("Sinochem Agriculture")	*(i)*	**950,000**	250,000
Yangmei Pingyuan Chemical Co., Ltd. ("Yangmei Pingyuan")	*(ii)*	**670,000**	670,000
Total loans to related parties		**1,620,000**	920,000
Less: amount due within one year		**670,000**	920,000
		950,000	–

Notes:

(i) The entrusted loans lent to Sinochem Agriculture, a subsidiary of China National Chemical Corporation Limited, through Sinochem Finance Co., Ltd. of RMB950,000,000 are guaranteed by Sinochem Group Co., Ltd., bear fixed interest rate of 3.85% (2019: 4.2%) per annum and are repayable within two years.

(ii) The entrusted loans lent to Yangmei Pingyuan through Sinochem Finance are unsecured, bear annual interest rate of 6.1% (2019: 6.1%) per annum and are repayable within one year.

9. OTHER LONG-TERM ASSETS

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Activators	**20,733**	23,279
Relocation for Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd. ("Sinochem Fuling") *(Note)*	**722,253**	591,488
	742,986	614,767

Note: The government of Fuling District in Chongqing ("the Government") and the Group entered into a relocation agreement ("the relocation agreement") on 6 August 2019. Pursuant to the relocation agreement, Sinochem Fuling, a subsidiary of the Group, will relocate its factories in Nananpu, demolish the buidings, restore the land and return it to the Government no later than June 2021. In return, the Government will compensate the losses of Sinochem Fuling arising from the relocation, with a cap of RMB1 billion, after the use right of the land was transfered to the Government.

Sinochem Fuling started demolishing the factory in November 2019. The carrying amounts of the related property, plant and equipment and also the land lease prepayment were reclassified as other long-term assets. Based on current estimation, the directors of the Company are of the view that the compensation receivable is sufficient to cover the expected loss of the Group and hence no impairment provision is made over these other long-term assets as at 31 December 2019 and 2020.

10. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**41,066**	39,289
Less: loss allowance *(Note (b))*	**(3,047)**	(2,693)
	38,019	36,596
Bills receivable	**544,750**	374,385
Less: loss allowance *(Note (b))*	**(11,050)**	(5,300)
	533,700	369,085
Total trade and bills receivables, net of loss allowance	**571,719**	405,681

As at 31 December 2020, the bills receivable that the Group has endorsed or discounted and de-recognized but not yet matured amounted to RMB426,685,000 (2019: RMB1,741,731,000).

(a) Aging analysis of trade and bills receivables

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

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**283,554**	225,025
More than 3 months but within 6 months	**265,122**	98,118
More than 6 months but within 12 months	**14,978**	69,558
Over 12 months	**8,065**	12,980
	571,719	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.

(b) Loss allowance of trade and bills receivables

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

	2020	2019
	RMB'000	*RMB'000*
Balance at 1 January	**7,993**	2,674
Impairment recognized	**6,391**	5,319
Write-off of uncollectible receivables	**(287)**	–
Balance at 31 December	**14,097**	7,993

11. TRADE AND BILLS PAYABLES

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Trade payables	**1,460,142**	1,367,060
Bills payable	**965,537**	2,018,713
Trade and bills payables	**2,425,679**	3,385,773

As at 31 December 2020, the aging analysis of trade and bills payables presented based on the invoice date is as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**1,661,239**	2,934,579
More than 3 months but within 6 months	**446,285**	353,709
More than 6 months but within 12 months	**285,494**	34,576
Over 12 months	**32,661**	62,909
	2,425,679	3,385,773

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$0.0327 (equivalent to approximately RMB0.0275) per share for the year ended 31 December 2020 (2019: HK$0.0294 (equivalent to approximately RMB0.0263) per share) to the shareholders, estimated to be HK$229,700,000 (equivalent to approximately RMB193,315,000) out of the contributed surplus of the Company. It is expected that the relevant dividend will be paid by 23 July 2021 to those entitled, subject to shareholders' approval at the forthcoming annual general meeting.

Further announcement will be made in respect of the date of closure of the register of members and the date of the forthcoming annual general meeting.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three members, including Mr. Tse Hau Yin, Aloysius as Chairman, Mr. Ko Ming Tung, Edward and Mr. Lu Xin as members, all of whom are independent non-executive directors of the Company.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, financial control, internal controls system, risk management and financial reporting matters including the review of the consolidated financial statements of the Company for the year ended 31 December 2020.

SCOPE OF WORK OF KPMG ON THIS ANNUAL RESULTS ANNOUNCEMENT

The financial figures in respect of the Group's consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this annual results announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG.

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

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

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 year ended 31 December 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 year.

CORPORATE GOVERNANCE STANDARDS

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

The Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules (the "Corporate Governance Code") sets out the principles of good corporate governance, and two levels of recommendations: (a) code provisions; and (b) recommended best practices. It also includes the mandatory disclosure requirements and recommended disclosures in respect of corporate governance for listed companies. For the year ended 31 December 2020 and up to the date of this announcement, the Company has complied with the applicable code provisions set out in the Corporate Governance Code, except for the deviations from the code provisions A.1.7 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 year and up to the date of this announcement, the Board approved certain connected transactions and continuing connected transactions by circulation of written resolutions in lieu of physical board meetings, for which certain Directors who also held senior positions in the controlling or substantial shareholders of the Company, were regarded as having material interests therein. As the Directors of the Company are living and working far apart, adoption of written resolutions in lieu of physical board meetings allows the Board to make a decision relatively quicker in response to the rapid change in the fertilizer markets. Before formal execution of the written resolutions, the Directors (including the independent non-executive directors) had discussed the matters via emails and made amendments to the terms of the transactions as appropriate.

The code provision E.1.2 provides that, among others, the chairman of the board should attend the annual general meeting of the listed issuer. On 11 January 2019, Mr. Zhang Wei, the then Chairman of the Board resigned as a Non- executive Director and Chairman of the Board of the Company. Following Mr. Zhang's resignation, Mr. Yang Lin has been authorized to assume the role and duties of the Chairman until Mr. J. Erik Fyrwald was appointed as the Chairman of the Board on 2 November 2020. In the annual general meeting of the Company held on 14 May 2020 (the "2020 AGM"), Mr. Yang Lin did not chair the meeting due to other essential business engagements. In order to ensure smooth holding of the 2020 AGM, Mr. Yang Lin authorized and the Directors attending the meeting elected Mr. Harry Yang, the Executive Director of the Company, to chair the meeting. Respective chairmen or representatives of the audit, remuneration, nomination and corporate governance committee of the Company were present at the 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 2020 annual report for more information about the corporate governance practices of the Company to be published soon.

BOARD OF DIRECTORS

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

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

Hong Kong, 30 March 2021

* *For identification purposes only*