SINOFERT HOLDINGS LIMITED
中化化肥控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

- The Group's revenue was RMB13,598 million for the current period, increased by 8.36% year on year
- Profit attributable to owners of the Company for the current period was RMB663 million, increased by 48.14% year on year
- Basic earnings per share for the current period was RMB0.0944, increased by 47.96% year on year
- The Board did not recommend the declaration of interim dividend for the six months ended 30 June 2021

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

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

The Basic Fertilizers Division strengthened the close cooperation with strategic suppliers to increase the ability of obtaining resources and ensure a steady supply, and stepped up marketing effort for differentiated agriculture products with high margin, which led to significant increase in both sales volume and profit. The business model of Fertex, an industrial chain service platform, has gradually become more defined and the iterative upgrade of its functional modules were accelerated. In addition, the Group innovated green farming service (GFS), and expanded sales channels with focus on direct sales to large-scale growers. In the first half of 2021, the profit of the Basic Fertilizers Division was RMB395 million, up by 23.80% year on year. The Distribution Division benchmarked marketing, R&D, production and sale capabilities with excellent companies in the industry, and accelerated the differentiated transformation and the integration of research, production and sales, which further enhanced the competitiveness of products and significantly boosted sales volume and the proportion of differentiated products. Channel structure was continuously optimized, resulted in that the proportion of sales to retailers, large-scale growers and special channels improved by 6 percentage points, and the cooperation with Syngenta Group China in crop protection business increased sharply, further highlighting channel value. In the first half of 2021, profit of the Distribution Division was RMB173 million, up by 21.46% year on year. The production subsidiaries continued to carry out energy-saving transformation to mitigate the adverse impact of rising input costs, and strengthened the connection of production and sale plans to improve capacity utilization. The construction of the relocation project of Sinochem Chongqing Fuling Chemical Fertilizer Company Limited ("Sinochem Fuling") for the sake of environmental protection proceeded as scheduled and completed 38% of the progress in physical shape of its new plant. In the first half of 2021, profit of the production subsidiaries was RMB174 million, up by 58.95% year on year.

In the second half of 2021, fertilizer enterprises will face great challenges in production, import and distribution due to the resurgence of COVID-19 pandemic, frequent extreme weather and geopolitical uncertainties. 2021 is the beginning year of the 14th Five-Year Plan and the comprehensive promotion of rural revitalization. The economic recovery of China has a relative strong resilience. The government implements a comprehensive national food security strategy, promoting cultivated land management and application of technology for food resources to consolidate the foundation of food security for the nation. The government attaches increasing importance to the modernization of agriculture, and promotes quality farming and green farming. This will create new opportunities for the Group's innovative operations and deepening of business transformation.

In the second half of 2021, the Group will adhere to the concept of soil health and green agricultural development, continue to focus on business transformation and upgrading, follow the trend of agriculture digitalization and the rapidly changing fertilizer industry, take root in modern agriculture, streamline the operational structure, constantly promote R&D and innovation, strive to become an innovative leader in crop nutrition in China and achieve a stable and sustainable growth in business performance. The Basic Fertilizers Division will continue to implement strategic procurement, secure a steady supply of high-quality products, and promote a transformation of business model from marketing to platform service based on the Fertex industrial chain service. The Distribution Division will strengthen development of downstream channel, focus in depth on differentiated products relying on R&D pipeline, promote upgrades of products, and improve the level of digitalization. The production subsidiaries will accelerate the upgrade of capacity, and promote the "move for better and stronger" relocating work of Sinochem Fuling. Meanwhile, the Group will achieve faster transformation and development within Syngenta Group China, strengthen synergy with members of the Syngenta Group China, give full play to the value of diversified channels and further improve its profitability.

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

J. Erik Fyrwald
Chairman of the Board

Hong Kong, 24 August 2021

MANAGEMENT REVIEW AND PROSPECT

Business Environment

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

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

In the first half of 2021, as agricultural demand increased, the fertilizer market benefited from the recovery of the international and domestic agricultural markets, with product prices increased generally. However, trade frictions created barriers to international cooperation, which hindered economic recovery. The resurgence of the COVID-19 pandemic still posed significant challenges to fertilizer companies in terms of production, stocking and product distribution. The State vigorously promoted the protection and improvement of arable land quality, organized coordinated demonstration of fertilizer application reduction and efficiency enhancement of key crops in counties with high-quality and efficient green actions, guided enterprises and social service organizations to carry out scientific fertilizer application technology services, and supported farmers and new agricultural business entities to apply new fertilizer application reduction and efficiency enhancement technology and new products.

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

Financial Highlights

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

Research and Development

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

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

The Group actively developed and upgraded new products in cooperation with scientific research efforts in the society. It carried out research on sustainable soil improvement and rhizosphere conditioning mechanisms jointly with China Agricultural University. Also, it cooperated with Syngenta Group China's members engaging in crop protection business in China to strengthen and upgrade "Lanlin-Guanwushuang", a compound fertilizer, and opened up high tower nitro process, significantly improving quality and output of cash crop. The Group upgraded the second-generation basic fertilizers for efficiency improvement, such as Meilinmei and Linbao, jointly with the Chinese Academy of Agricultural Sciences, further improving the effect of increasing output. At the same time, advanced technologies from overseas were actively introduced to upgrade domestic products, reduce fertilizer application and improve the quality of agricultural products.

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

Manufacturing

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

Sinochem Fuling, a subsidiary of the Group, actively implemented the spirit of General Secretary Xi Jinping's instructions of "together we protect environment and avoid large-scale development" for the construction of the Yangtze River Economic Belt, and made progress in the entire relocation for the sake of environmental protection. The phase I project with an annual production capacity of 200,000 tons of fine phosphate and supporting new-type special fertilizers will be constructed in Baitao Industrial Park. As at 30 June 2021, the preliminary design, site formation for the main installation area, EPC tender and underground foundation construction of the new plant area was completed and detailed design was near completion. The construction of the site was in the stage of the above-ground portion of the civil works, and the construction of the rising structure and installation of equipment were underway. The cumulative investment in the project amounted to RMB545 million and 38% of the overall progress in physical shape was completed.

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

Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong"), a subsidiary of the Group, faced numerous unfavorable factors such as rising raw material prices, sharp increases in ocean freight and unstable product prices. It fully utilized its phosphate mine resource, increased mining of self-owned phosphate ore, continuously optimized production processes, strengthened lean management and reduced fuel and power costs to stabilize the production of MCP/DCP. It strictly implemented internal control management and timely adjusted operating strategies, grasping the domestic aquatic product season and new energy demand to increase market launch and realize product value maximization. In the first half of 2021, the production and sales of MCP/DCP reached 181,000 tons and 175,800 tons respectively, and its key performance indicators were better than the same period in 2020.

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

Basic Fertilizers Operations

In the first half of 2021, amid general tight supply of nitrogen, phosphorus and potassium products, the Group actively leveraged its advantages to sustain the supply of basic fertilizer raw materials to customers and satisfy the demand of industrial and agricultural production. The Group continued to promote strategic sourcing, consolidate upstream supplier relationship and secure a stable supply of quality goods, strengthened downstream channel development to continuously enhance customer stickiness, and continuously promoted innovation and transformation to enhance operation. The pilot running of the GFS mode was successful and the business model was continuously iterated. Fertex was fully launched online, and the number of registered users, logistics and transportation volume and platform transactions continued to increase, while the information and financial services capability steadily improved. As a result, its influence in the industry continued to grow.

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

Nitrogen Operations: In the first half of 2021, the sales volume of nitrogen fertilizers was 1,929,100 tons, down by 15.64% over the corresponding period in 2020, and the sales volume of differentiated nitrogen fertilizers was 187,100 tons, up by 27.89% over the corresponding period in 2020. In the face of the significant fluctuations in the urea market, the Group reduced operating risks by measures such as strategic procurement, grasping the rhythm of sales, implementing refined operation and strictly controlling the size of the inventory exposure. The Group undertook the national fertilizer commercial reserve mission, and actively used urea futures to hedge the downside price risk of long-term contracts. The Group contributed high-quality supplies to the spring market to ensure food security of the country.

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

Fertex Operations: The Group continued to promote the establishment of industrial chain service platform of Fertex. As at the end of June 2021, Fertex had 270,000 registered users. Trade leads posting function was added to the information module, and the online transaction function was fully enabled. The online payment tools covered more user needs and scenarios, and the scale of customer-directed orders and online payments continued to increase, with the smart supply chain system gradually optimised and its influence in the industry significantly increased. In the future, Fertex will bring together digital technologies and focus on serving the industry to provide a sustainable and optimised solution for the distribution of agricultural materials in China.

Distribution Operations

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

Compound Fertilizer Operations: In the first half of 2021, sales volume of compound fertilizers was 1,362,500 tons, of which the sales of differentiated products was 642,400 tons, up by 50.02% over the corresponding period in 2020. The Group accelerated the restructuring of its compound fertilizer product structure and enhanced its product competitiveness by accelerating the commercialisation of its independently developed research results and the introduction of external technologies, while focusing on multi-technology integrated products that address key planting issues, increase yield and income for users, and reduce fertilizer application and increase efficiency. Through several ways, such as biotechnology empowerment and the combination of organic and inorganic products, the Group accelerated the development and promotion of new products for improvement of arable land to implement the national arable land quality improvement strategy and provide efficient crop nutrition solutions for farmers with high indices of continuous cropping and multiple cropping.

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

Technical Services and Digital Innovation: The Group continued to promote free soil testing services, field guidance, technical seminars, and the protection of rights and anti-counterfeiting, and launched more than 30,000 comprehensive technical services. By combining soil improvement with fertilizer application, the Group explored new modes of scientific fertilizer application to improve soil environment in a reasonable manner. In addition, the Group promoted the spraying of a mixture of special fertilizers and pesticides with drone application to reduce fertilizer and pesticide application. The Group strengthened its digital marketing capabilities, relying on online marketing tools and platforms to empower distribution service network by digital means. A total of 2,300 retail stores were put online in the pilot regions. The Group also combined means such as growers' online agricultural information, live broadcast regarding to technology, short video and farmer benefiting activities to establish a comprehensive channel user service platform gradually.

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

Internal Control and Management

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

In the first half of 2021, the Group incorporated the management philosophy of Syngenta Group China, and strived to build agile and effective functional headquarters to strengthen the foundation for business strategy. The Group further deepened the construction of the internal risk control system, focused on learning from advanced management experience, and took "streamlining, high efficiency, accountability and controlled authority" as its orientation to fully identify risks, promote accountability and improve system standardization, while internal control and audit and inspection were strengthened, and works such as differentiated risk monitoring as well as strengthening of reward and punishment were carried out. The Group also actively promoted risk culture and raised risk awareness through various means, encouraged the management at all levels to build a safe operating environment in a scientific manner, and actively created a benign internal risk control atmosphere for "stable operation and healthy development". The Group focused on incorporating risk management and compliance management requirements into business process, strengthening informatization and enhancing accountability of each business unit, and actively explored differentiated mechanisms of internal risk control and management for different business units.

In the first half of 2021, the internal control and management of the Group met the compliance requirements of domestic and foreign regulatory agencies and ensured compliance and healthy development of its business. The Group's internal control and management provided a reasonable guarantee for adaptation to changes in the market and operating environment, support for the strategic transformation of the Group, protection for shareholders' interests and asset safety, and improvement of business quality and strategy implementation.

Corporate Social Responsibility

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

Since this year, due to multiple international and domestic factors, fertilizer prices have shown an upward trend and the supply is relatively tight, and the stable supply of fertilizers is facing great challenges. The Group strictly implemented the spirit of the Central Government's instruction, attached great importance to it and actively took actions to ensure the supply of fertilizers, strived to increase production, leveraged its advantages in strategic procurement, strengthened market supply capacity, ensured the supply of agricultural materials during spring cultivation and contributed to the stable production and supply of agriculture.

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

The Group adhered to the basic national policy of protecting the environment and actively implemented clean production, upholding the basic principle of "people-oriented, prioritized environmental protection, prevention first, integrated governance". While preventing new sources of pollution, the Group constantly reduced the emission of pollutants through adopting advanced processes, technologies and equipment to establish an effective and persistent mechanism on environmental protection, actively responding to national policies. Sineochem Fuling actively promoted relocation for the sake of environmental protection, so as to create harmony between energy and the environment. In the first half of 2021, the Group fully achieved its energy-saving and emission reduction goals.

Outlook

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

The agricultural transformation of China is still facing pressure. Issues such as low economic efficiency of cereal farming, small scale of mechanization in agricultural production, uneven development of regional agriculture and food security remain to be improved through reforms. The Chinese government is committed to developing modern agriculture, promoting innovation in agricultural technology, accelerating the upgrade of industries, and eliminating the gap between urban and rural areas to form a sustainable economic growth point and strengthen the effective supply of agricultural products. As facility agriculture develops rapidly and agricultural production and operation standard enhances, the supporting role of technology in agricultural development is strengthened. As China's leading technology-based marketing and service provider of crop nutrition, the Group will continue to promote in-depth development of diversified channels, enhance industry upgrade, and build core competence and long-term competitiveness through developing product portfolio, precision R&D, effective supply chain and digital transformation. On the basis of a steady development of basic fertilizers, the Group will put more effort in R&D of high-end products and improve each part in the agricultural industry chain including R&D, production and marketing.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

I. OPERATION SCALE

1. Sales volume

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

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

2. Revenue

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

Table 1:

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

3. Revenue and results by segment

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

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

Table 2:

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

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

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

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

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

II. PROFIT

1. Share of results of associates and joint ventures

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

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

2. Income tax

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

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

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

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

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

III. EXPENSES

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

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

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

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

IV. OTHER INCOME AND GAINS

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

V. OTHER EXPENSES AND LOSSES

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

VI. INVENTORIES

As at 30 June 2021, the inventories balance of the Group amounted to RMB3,696 million, down by RMB1,627 million or 30.57% compared with RMB5,323 million as at 31 December 2020. The main reason was the clearance of inventory during the peak season of spring cultivation, leading to a decrease in the inventory scale. The inventory turnover days in the first half of 2021 was 66 days[(Note)], 9 days faster than that in the corresponding period of last year.

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

VII. TRADE AND BILLS RECEIVABLES

As at 30 June 2021, the balance of the Group's trade and bills receivables amounted to RMB1,302 million, increased by RMB730 million or 127.67% compared with RMB572 million as at 31 December 2020, which was mainly due to an increase in the balance of bills receivables. The Group strictly controlled the scope of acceptable bills and actively prevented credit risk, and the turnover days of trade and bills receivables in the first half of 2021 was 12 days[(Note)].

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

VIII. OTHER CURRENT ASSETS

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

IX. LOANS TO RELATED COMPANIES

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

X. INTERESTS IN ASSOCIATES

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

XI. INTERESTS IN JOINT VENTURES

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

XII. OTHER EQUITY SECURITIES

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

XIII. INTEREST-BEARING LIABILITIES

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

XIV. TRADE AND BILLS PAYABLES

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

XV. OTHER FINANCIAL INDICATORS

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

Table 3:

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

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

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

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

Table 4:

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

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

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

XVI. LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2021, cash and cash equivalents of the Group amounted to RMB2,054 million, which was mainly denominated in RMB and US dollar.

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

Table 5:

	As at 30 June 2021 *RMB'000*	As at 31 December 2020 *RMB'000*
Short-term commercial paper	**1,000,000**	1,000,000
Bank loans	**737,148**	714,297
Lease liabilities	**51,638**	52,927
Total	**1,788,786**	1,767,224

Table 6:

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

Table 7:

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

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

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

XVII. OPERATION AND FINANCIAL RISKS

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

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

Environmental and social risks

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

Cyber risk and security

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

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

Risks associated with data fraud or theft

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

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

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

Market risk

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

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

Credit risk

The biggest credit risk of the Group was subject to that the counterparties might fail to carry out their obligations with regard to the book value of all types of financial assets recognized and recorded in the consolidated statement of financial position on 30 June 2021. If there was a lack of credit risk management, bad debt losses, as a result of uncollectible accounts and unavailable inventory after advance payment, might influence normal operations of the Group.

The Group had adequate management procedures, response mechanisms and supervision measures in respect of granting credit line and credit period, collection of overdue accounts and other related aspects. Through credit evaluation, transaction management, process monitoring and disposal of overdue accounts for credit customers, the Group developed risk management strategies and measures to prevent and control the risk, allocated more credit resources to strategic and high-quality core customers and suppliers, and transferred bad debt risks by a proper utilization of various risk protection measures, so as to ensure that the credit business was monitored and guaranteed. Meanwhile, the Group examined the recovery of its major trade receivables on the settlement date every month to ensure a sufficient bad debt provision for unrecoverable accounts, and therefore, credit risk incidents rarely occurred.

Liquidity risk

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

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

XVIII. CONTINGENT LIABILITIES

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

XIX. CAPITAL COMMITMENTS

Table 8:

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

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

XX. MATERIAL INVESTMENTS

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

XXI. REMUNERATION POLICY

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

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

The Group reviews its remuneration policy annually and, if necessary, engages professional consultants, to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 30 June 2021, the Group had about 4,564 full-time employees (including those employed by the Group's subsidiaries), and their remuneration is determined with reference to market rates. No individual employee shall have the right to determine his/her own remuneration.

In addition to the basic remuneration, the Group also values the importance of training and career development of employees. In the first half of 2021, the Group provided around 8,834 person-times or around 18,032 hours of training (any training organized by the subsidiaries has not been included in these numbers). The training courses covered areas such as industrial development, strategy implementation, leadership enhancement, marketing management, operation and management, laws and regulations, finance, human resource management, safe production and general working skills. These trainings will further improve the management skills and professional standards of the management of the Group and enhance the overall quality of the employees to cater to the Group's rapid developments, and improve the competitiveness of the Group.

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

The board of directors (the "Board") of Sinofert Holdings Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021 – unaudited

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

	Note	Six months ended 30 June 2021 RMB'000	2020 RMB'000
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		**145,474**	(78,800)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**(37,233)**	32,270
Other comprehensive income for the period		**108,241**	(46,530)
Total comprehensive income for the period		**782,947**	406,283
Total comprehensive income attributable to:			
– Owners of the Company		**771,660**	401,315
– Non-controlling interests		**11,287**	4,968
		782,947	406,283
Earnings per share	*6*		
Basic and diluted (RMB)		**0.0944**	0.0638

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 – unaudited

	Note	**At 30 June 2021** *RMB'000*	At 31 December 2020 *RMB'000*
Non-current assets			
Property, plant and equipment		**3,083,224**	2,808,287
Right-of-use assets		**469,070**	503,215
Mining rights		**462,876**	479,545
Intangible assets		**16,311**	17,229
Goodwill		**827,720**	831,107
Interests in associates		**590,429**	619,045
Interests in joint ventures		**517,983**	394,618
Other equity securities		**481,130**	312,286
Prepayments for acquisition of property, plant and equipment		**95,189**	83,640
Loans to a related party		**620,000**	950,000
Deferred tax assets		**64,581**	89,329
Other long-term assets		**20,443**	742,986
		7,248,956	7,831,287
Current assets			
Inventories		**3,695,952**	5,323,067
Trade and bills receivables	*8*	**1,301,623**	571,719
Other receivables and prepayments		**1,450,225**	1,945,754
Loans to a related party		**–**	670,000
Other financial assets		**1,562**	4,657
Cash and cash equivalents		**2,054,388**	762,548
Other current assets		**740,881**	–
		9,244,631	9,277,745

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Current liabilities			
Trade and bills payables	9	**1,962,238**	2,425,679
Contract liabilities		**2,330,506**	3,680,473
Other payables		**1,181,035**	657,220
Interest-bearing borrowings		**737,148**	714,297
Short-term commercial paper		**1,000,000**	1,000,000
Lease liabilities		**41,278**	40,524
Tax liabilities		**32,720**	18,627
		7,284,925	8,536,820
Net current assets		**1,959,706**	740,925
Total assets less current liabilities		**9,208,662**	8,572,212
Non-current liabilities			
Lease liabilities		**10,360**	12,403
Deferred income		**150,490**	152,553
Deferred tax liabilities		**165,637**	171,622
Other long-term liabilities		**64,436**	69,083
		390,923	405,661
NET ASSETS		**8,817,739**	8,166,551
CAPITAL AND RESERVES			
Issued equity		**5,887,384**	5,887,384
Reserves		**2,693,307**	2,115,934
Total equity attributable to owners of the Company		**8,580,691**	8,003,318
Non-controlling interests		**237,048**	163,233
TOTAL EQUITY		**8,817,739**	8,166,551

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

1 Basis of preparation

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

The unaudited condensed consolidated financial information have been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

2 Changes in accounting policies

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

- Amendments to HKFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021*

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

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

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

3 Revenue and segment reporting

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products of service lines		
– Sales of potash fertilizer	**2,167,719**	2,149,792
– Sales of nitrogen fertilizer	**3,044,777**	3,171,814
– Sales of compound fertilizer	**3,281,313**	3,166,446
– Sales of phosphate fertilizer	**3,077,668**	2,529,694
– Sales of monocalcium/dicalcium phosphate ("MCP/DCP")	**459,869**	443,409
– Sales of special fertilizer	**316,033**	264,945
– Sales of other products	**1,250,286**	822,942
	13,597,665	12,549,042
Disaggregated by geographical location of customers		
– Mainland China	**13,137,057**	12,165,581
– Others	**460,608**	383,461
	13,597,665	12,549,042

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

(b) Segment reporting

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

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

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

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

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

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

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

4 Profit before taxation

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

(a) Finance costs

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Interest on borrowings	**30,875**	42,881
Interest on lease liabilities	**1,619**	340
Less: interest expense capitalized *(Note)*	**(19,044)**	(27,928)
	13,450	15,293

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

(b) Other items

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

5 Income tax

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

(i) The provision for Hong Kong Profits Tax is calculated by applying at 16.5% (2020: 16.5%) of the estimated assessable profits for the six months ended 30 June 2021.

(ii) The provision for the PRC Enterprise Income Tax is based on the statutory rate of 25% (2020: 25%) on the estimated taxable profits determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain subsidiaries of the Group which enjoy a preferential tax rate according to related tax policies.

(iii) The provision for Macao Special Administrative Region Tax is calculated by applying at 12% (2020: exempted from income tax) of the estimated assessable profits for the six months ended 30 June 2021.

(iv) The provision for Singapore Profits Tax is calculated by applying at 17% (2020: 17%) of the estimated assessable profits for the six months ended 30 June 2021.

6 Earnings per share

The calculation of basic earnings per share is as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Profit attributable to owners of the Company		
Profit for the purpose of basic earnings per share	**663,419**	447,845
	'000 shares	*'000 shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,024,456**	7,024,456

The Group has no dilutive ordinary shares outstanding for the period ended 30 June 2021. Therefore, there was no difference between basic and diluted earnings per share.

7 Dividends

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

The Board of Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2021 (the corresponding period in 2020: nil).

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year of HK$0.0327 per share (the corresponding period in 2020: HK$0.0294 per share).	**191,133**	187,912

8 Trade and bills receivables

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

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

	At 30 June 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Within 3 months	**242,826**	283,554
Over 3 months but within 6 months	**838,046**	265,122
Over 6 months but within 12 months	**219,684**	14,978
Over 12 months	**1,067**	8,065
	1,301,623	571,719

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

9. Trade and bills payables

	At 30 June 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Trade payables	**1,767,863**	1,460,142
Bills payable	**194,375**	965,537
Trade and bills payables	**1,962,238**	2,425,679

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

	At 30 June 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Within 3 months	**1,800,150**	1,661,239
Over 3 months but within 6 months	**87,415**	446,285
Over 6 months but within 12 months	**45,514**	285,494
Over 12 months	**29,159**	32,661
	1,962,238	2,425,679

INTERIM DIVIDEND

The Board did not recommend the declaration of interim dividend for the six months ended 30 June 2021.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed, with the management and the external auditors, the condensed consolidated financial statements of the Company for the six months ended 30 June 2021, including the review of the accounting principles and practices adopted by the Group. The Audit Committee has also discussed with the management about auditing, risk management, internal controls, and financial reporting matters of the Group.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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. The Company has made specific enquiries with all directors of the Company, and all directors confirmed that they had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2021.

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

CORPORATE GOVERNANCE STANDARDS

Recognizing the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, the Company is committed to maintaining a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practices on corporate governance, and complies with the applicable corporate governance standards contained in relevant code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2021 and up to the date of this announcement, except for the deviations from the code provisions A.1.7 and E.1.2 as described below.

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

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

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

BOARD OF DIRECTORS

As at the date of this announcement, the executive directors of the Company are Mr. Qin Hengde (Chief Executive Officer), Feng Mingwei and Mr. Harry Yang; the non-executive director of the Company is Mr. 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
SINOFERT HOLDINGS LIMITED
Qin Hengde
Executive Director and Chief Executive Officer

Hong Kong, 24 August 2021